The Uncertain Partnership

FINANCIAL CONDITION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

AUGUST 1995 COMMISSION REPORT 95-10

Summary

The Association of Independent California Colleges and Universities (AICCU), at the request of Commission staff, completed a study of its member institutions entitled *The Uncertain Partnership* This Commission report reflects the Commission's comments on the AICCU study, and in combination with the AICCU study, is intended to fulfill Education code Section 66903 (19) requiring the Commission to periodically report on the condition of California's independent colleges and universities

The Commission's comments highlight the importance of the State's independent colleges in providing educational opportunity to California students Independent colleges currently enroll more students than the University of California, and their ability to provide educational opportunity will become increasingly important in coming years as California strives to accommodate projected increases in enrollment demand

The report also addresses the financial health of independent institutions and the State's interest in maintaining financially healthy independent institutions It notes that California's independent institutions rebounded in the early 1990s from significant financial stresses in the 1980s

Finally, the report concludes with recommendations on State policy issues that affect the State's independent colleges and universities

The Commission adopted this report on August 28, 1995, on recommendation of its Educational Policy and Programs Committee To order copies of this report (95-10) write the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938, or telephone (916) 445-7933 Copies of *The Uncertain Partnership* can be obtained from the Association of Independent California Colleges and Universities, 1100 Eleventh Street, Suite 315, Sacramento, California 95814, telephone (916) 446-7626

FINANCIAL CONDITION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES

A Report of the California Postsecondary Education Commission

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street • Suite 500 • Sacramento, California 95814-2938

POSTSECONDARY EDUCATION COMMISSION
CALIFORNIA

COMMISSION REPORT 95-10
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POSTSECONDARY EDUCATION COMMISSION

FINANCIAL CONDITION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES

I. BACKGROUND

The State of California has a valuable resource in its independent colleges and universities These institutions grant a substantial portion of college degrees conferred in California and have the capacity to award even more As the California plans for its higher education needs over the next decade, its independent institutions can be an important asset as at least two important challenges are confronted

- State revenues are expected to lag behind the demand for State services This imbalance will likely result in especially strong fiscal pressures on higher education and those other discretionary parts of the State budget that are neither constitutionally nor statutorily protected
- Enrollment demand at the State's public colleges and universities is expected to increase by roughly 25 percent -- or over 455,000 students -- over the next decade The State's public colleges and universities lack the physical facilities to accommodate these students Additionally, the public higher education support budgets --which come from that steadily declining discretionary portion of the budget -- are likely to remain constrained

In recognition of the importance of independent institutions in California, the authorizing statute for the California Postsecondary Education Commission requires it to periodically review a number of aspects of California's independent colleges and universities Since severe budget constraints in recent years have limited the agency's ability to complete the report, Commission staff requested assistance from the Association of Independent California Colleges and Universities (AICCU) to meet this requirement Included in the request was a proposal that the Association develop an independent peer review process to be used during the development of the report In response to this request, AICCU has completed a report entitled *The Uncertain Partnership* The report, mailed to Commissioners previously, covers such areas as enrollment capacity, financial indicators, and degrees conferred The Commission wishes to thank the association for responding to its request and for preparing a most comprehensive report This agenda item reflects the Commission's comments on this report, and these comments together with the AICCU's report, are intended to meet the requirements of Education Code Section 66903(19)

II. FINDINGS

California's independent colleges and universities are often erroneously characterized by policy makers as one of California's systems of higher education While not a system, those institutions represented by AICCU all share status as independent, nonprofit entities, accreditation by the Western Association of Schools and Colleges, and a focus on degrees Nonetheless, they constitute a highly diverse set of institutions that represent a range of sizes, missions, fiscal resources, and curricular offerings In *The Uncertain Partnership*, AICCU emphasizes the diversity of its 72 member institutions -- a diversity regarded as a strong contributor to the educational opportunities available to Californians and to the viability of the State

California's independent colleges and universities range from doctoral research institutions to small liberal arts colleges to specialized institutions and professional schools For the purpose of its report, AICCU has divided member institutions into eight categories based on such factors as enrollment, budget size, endowment level, faculty salaries, mission, and basic curricula Even with eight categories, AICCU acknowledges that assigning institutions to categories is not an exact science While the classification system attempts to group institutions with common characteristics, many institutions share characteristics with colleges in different classifications For example, an institution's student profile and enrollment might be consistent with those of institutions in one category, while its faculty salaries may be consistent with those of another

Thus, while it is convenient to group California's independent colleges and universities together, it is important to recall that these are a diverse set of institutions This same diversity also means that few descriptions of the independent sector generally will apply to each campus individually

In general, this report follows earlier versions in this series and describes the independent colleges from several views At the conclusion of the summary is a series of policy issues and recommendations

Enrollment and degrees

While the enrollment of any one of the State's independent colleges and universities is dwarfed by the enrollment of California's public systems of higher education, California's independent colleges collectively constitute a significant share of the State's higher education enrollment In Fall 1993, AICCU institutions enrolled over 182,000 students, an enrollment larger than that of the University of California's at approximately 163,000 students Students in independent colleges and universities constituted over 20 percent of California's baccalaureate degree seekers and a significantly higher percentage of graduate and professional students

The racial-ethnic composition of students enrolled at California's independent colleges and universities has been changing with the demographics of California generally The percentages of students from historically underrepresented backgrounds at the undergraduate, graduate and professional levels have each increased The enrollment of Asian and Pacific Islander students increased significantly -- 8 2 per-

cent at the undergraduate level -- between 1980 and 1993, with Latino student enrollment increasing by 6 1 percent over the same period The enrollment of African American students at independent institutions showed a troubling pattern There was only slight growth at the graduate and professional level and an actual decline of African Americans at the undergraduate level -- a trend seen throughout much of California higher education and in the nation generally

In addition to enrolling a large proportion of California's college students, independent institutions confer a large proportion of the degrees awarded in the State, especially at the postbaccalaureate level In 1992-93, these institutions conferred approximately 20 percent of the bachelor's degrees in California, 49 percent of master's degrees, 69 percent of first professional degrees, and 44 percent of doctoral degrees These numbers are especially impressive considering that these institutions enroll far fewer students than do the State's collective public institutions

Accommodating increasing numbers of California students

For some time now, State policy makers have been concerned about the arrival of "Tidal Wave II" the anticipated dramatic growth in enrollment demand driven, in large part, by students whose parents were part of the post-World War II baby boom The Commission is currently developing projections for enrollment demand at the State's public colleges and universities These projections show steep increases in higher education enrollment by 2005 The State will lack the resources to accommodate the increased enrollment demand without fundamental changes in revenue and expenditure patterns, and major transformations in higher education itself Among those changes are the implementation of policy decisions that deliberately incorporate independent colleges and universities in the State's long-range plans for accommodating this enrollment growth

As the Commission has pointed out in several reports, meeting the demands of Tidal Wave II will require the effective utilization of all enrollment capacity in the State If State policy is unsuccessful in encouraging some of the Tidal Wave II students to consider attending an independent college or university, California will be losing opportunities to educate its citizens Independent colleges and universities can help to meet the State's growing enrollment demand in at least two ways

- Students can tap unused or increased capacity While information is lacking on enrollment capacity at all of the State's independent institutions, AICCU surveyed approximately half of its member institutions in 1993 and identified approximately 20,000 unused spaces These same institutions plan to be able to accommodate an additional 20,000 students by the year 2000, for a total of at least 40,000 spaces at institutions with admissions requirements at least as rigorous as those of the State University AICCU did not extrapolate the information across all of its member institutions and, therefore, the number could increase
- These institutions can also accommodate more students by enrolling a higher percentage of Californians -- a situation reminiscent of historical patterns In

recent years, AICCU member institutions have collectively enrolled an increasing percentage of out-of-state students because of declining applications from Californians

Financial indicators and conditions

To assess the financial condition of California's independent colleges and universities, AICCU used a series of seven financial ratios These ratios are intended to provide different measures of the fiscal strength of these institutions Ratio analysis has been used in each of the preceding reports on independent colleges The ratios weigh key elements of institutional finances such as reliance on tuition and fees and gift revenue or use of revenues for instructional or other purposes Given the range of institutions that constitute AICCU, it would be expected that the implications resulting from applying these ratios differ by type of institution However, several general trends are apparent

- California's independent colleges rebounded in the early 1990s from significant financial stresses in the 1980s This rebound coincided with California's public colleges and universities experiencing fiscal stresses and enrollment declines that continue today
- California's independent institutions typically more dependent upon tuition revenue and less dependent upon endowment income and research funding were more directly affected by changes in State policy and appear to be less stable financially than the larger research universities and well-endowed liberal arts colleges

Among the results discussed in the AICCU study are the following

- California's independent institutions managed recently to restore a healthier margin between revenues and expenditures after having almost no margin in 1990 However, small liberal arts colleges and colleges and universities with enrollments between 1,000 and 5,000 full-time-equivalent students continue to have very small margins
- Reliance on tuition and fees, which varies significantly depending upon the type of institution, has generally been increasing in recent years This may reflect, in part, increases in student charges that support, in large measure, institutional financial aid programs
- California's independent colleges and universities have been dedicating steadily increasing proportions of their budgets to institutionally funded financial aid programs This trend is generally evident across California's independent colleges, where financial aid seems to be funded more and more from tuition revenues Research universities and liberal arts colleges with large endowments appear to be dedicating especially large portions of their tuition revenue to financial aid programs

- Independent colleges' growing reliance on tuition and fees has been paralleled by diminishing support from gifts and grants Specialized institutions, professional schools, and colleges and universities with enrollment between 1,000 and 5,000 have especially small portions of their expenditures covered by gifts and grants

- Instructional costs, as a percentage of total educational and general expenditures, have remained very consistent over the past several years This may be an especially healthy sign since total expenditures have been inflated by increased financial aid expenditures and could have driven down the level of expenditures dedicated to instructional costs

These ratios demonstrate both encouraging and disturbing trends for all types of institutions The report argues that while institutions with larger endowments are stronger and have more overall financial flexibility, the pressures they face are similar to those faced by smaller, less wealthy institutions

III. STATE ISSUES AFFECTING THE HEALTH AND VITALITY OF CALIFORNIA'S INDEPENDENT INSTITUTIONS

Despite their status as autonomous institutions, California's independent colleges and universities are directly or indirectly affected by many public policy decisions At the conclusion of *The Uncertain Partnership*, AICCU identifies several of these policy areas Two of them are largely the result of federal requirements (1) the growing cost of meeting federal regulatory requirements, and (2) federal limitations on the issuance of tax-exempt bonds to finance capital facility projects

With respect to State policy decisions, independent institutions and the State share a common interest in maintaining a healthy independent sector for California students Thus, State policy makers should carefully consider the effect their policy and fiscal actions will have on the State's independent colleges and universities The following are specific areas in which the State -- through actions of its policy makers -- influences the health and vitality of the independent sector

Annual State fiscal decisions influence access to the State's public and independent colleges and universities, and hence the fiscal health of both systems

Access to California higher education -- at public and independent colleges and universities -- is, in large measure, a function of four main annual State fiscal decisions (1) funding available to the State's public colleges and universities, (2) student fee levels at the State's public institutions, (3) funding for financial aid programs at the State's public institutions, and (4) funding for the State's aid programs for needy students at its independent institutions All four of these annual fiscal decisions affect significantly the State's independent colleges and universities An examination of each of these influences is discussed briefly below

The effect of funding for the State's public colleges and universities on the independent institutions

When annual State General Fund appropriations to the State's public colleges and universities fail to keep pace with enrollment demand, the public institutions are unable to serve all students who desire to attend This condition may translate into an increasing likelihood that students will choose to attend one of the State's independent institutions and, thereby, potentially improve the independent institution's overall fiscal health However, when State General Fund appropriations to the public institutions are increasing, enrollment in the public systems also tends to increase or remain stable which generally results in some decease in the enrollment at the State's independent institutions

The effect of student fee levels at the State's public colleges and universities on the independent institutions

Student fee levels at the State's public colleges and universities also affect the independent institutions Historically, student fees have been higher at independent institutions than at public colleges and universities However, when student fee levels at the public institutions are increasing precipitously -- as has been the case most recently -- the independent sector becomes a more attractive alternative to some students since the gap in the cost between the two types of institutions is reduced Thus, significant increases in student fee levels at the State's public institutions potentially serve to improve the fiscal health of the State's independent colleges and universities

The effect of funding for financial aid programs at the State's public and independent institutions

Financial aid is critical to ensuring that all students have access to the State's colleges and universities As such, the Commission has long advocated that the State should provide sufficient financial aid to assist all needy students in accomplishing their educational objectives However, financial aid not only affects student access, it also influences their choices Since grant assistance essentially serves to reduce an institution's "posted" price of attendance, students can choose to attend their institution of choice without regard to the "posted" price Hence, the goal of grant aid is to make the net cost of college attendance at the institution of choice affordable to all students regardless of their economic backgrounds

The Commission continues to support the State's existing Cal Grant policy passed in 1990 that establishes the following three State policy objectives (1) the number of new Cal Grant awards should equal at least 25 percent of the State's high school graduating class, (2) the maximum grant for recipients attending one of the figure calculated from State's public colleges or universities should fully cover all student fees charged by those institutions, and (3) the maximum grant for recipients attending one of the State's independent colleges or universities should be set at an amount equal to the figure calculated from the State University's nonresident tuition methodology plus the average of the student fees charged at the State University and the University While implementation of the policy is conditioned upon the availability of funding, the policy requires that it be implemented in a manner that balances student access and choice

The health of the State's independent institutions is both directly and indirectly affected by funding available for the State's financial aid programs

Indirect effect If the State did not provide grant support to offset increases in student fees for needy students attending its public colleges and universities, the fiscal health of the independent institutions would likely improve since they would become a more attractive alternative to some students, given that the gap in the net cost between the two types of institutions would be reduced However, almost without exception, students at the State's public institutions -- through either the State's Cal Grant program or their institutional grant programs -- have received grant support to fully offset student fee increases In fact, this has been the only component of the State's existing Cal Grant policy that has been fully funded

Direct effect While grant awards for students attending the State's public colleges and universities have been adjusted each year with increases in student fees, the maximum grant for students attending the State's independent colleges and universities has not been increased Since 1989-90, it has remained at $5,250 although State policy calls for a level of approximately $8,200 Thus, the relative value of Cal Grants for students in the independent sector has declined in relation to the fees those students pay, while the relative value of awards for students in the public sector has come close to keeping pace with fee increases The decline in the relative value of the Cal Grant award at the State's independent institutions has likely resulted in the observed decline in the percentage of Cal Grant award recipients choosing to attend an independent institutions Thus, the State's failure to fund this component of the policy not only has limited the ability of California needy students to choose from among the State's various higher education institutions, but it has also negatively impacted the fiscal health and vitality of the State's independent sector

Combination of effects Often the combination of effects of State action results in the improvement or the deterioration of the fiscal health and vitality of the State's independent institutions AICCU's report suggests that the health of the State's independent institutions at present is "counter-cyclical" to the fiscal health of the State's public institutions That is, in recent years, when the public systems are fiscally stable and experiencing enrollment increases, the State's independent institutions generally are experiencing enrollment decreases and tend to be in a less positive fiscal condition and vice versa This trend appears to be a change from previous periods when the effect of one on the other was not so closely correlated This current correlation can be attributed, in large measure, to all four of the aforementioned annual State fiscal decisions However, of special importance is the failure of the State to fund two components of its Cal Grant policy -- an increase in the number of new grant awards and funding the maximum award for students attending independent institutions This failure has had a significant negative impact on the health and fiscal stability of the State's independent colleges and universities

Recommendation 1 **The Commission recommends that, as the State's policy makers debate and make decisions about the aforementioned fiscal issues, they recognize and consider the effect those decisions will have on: (1) the**

ability of students to choose among California's higher education institutions, and (2) the future fiscal health and vitality of the State's independent colleges and universities. Further, the Commission recommends that the Governor and Legislature move toward balancing the level of support provided to all three components of the State's Cal Grant policy: (1) increasing the number of new grant awards to equal 25 percent of the State's graduating high school seniors, (2) fully funding fees for recipients at the State's public institutions, and (3) increasing the maximum grant award for students attending the State's independent colleges and universities so that it equals the sum of the State University's nonresident tuition methodology and the average of the State University's and University's resident student fees.

The erosion of the tax-exempt status of the independent colleges and universities

Another fiscal issue affecting the State's independent colleges and universities relates to their status as tax-exempt institutions As nonprofit institutions, the State's independent colleges and universities are exempt from paying property taxes However, they are obligated to pay taxes for direct services As California has moved in the post-Proposition 13 era toward an increasing reliance on fee-based revenues for funding services that were once financed through the property tax base, independent institutions have faced increasing tax burdens from local governments While the precise magnitude of these taxes has not been estimated, the independent institutions are concerned that these taxes are gradually eroding their tax-exempt status and affecting the fiscal viability of their institutions

The Commission made a recommendation in its *Challenge of the Century* report that the Constitutional Revision Commission consider changing revenue and expenditure requirements While the recommendation centers on the State's ability to collect revenue and its restrictions on General Fund expenditures, it does not address the issue of the impact of revenue collection on colleges and universities

Recommendation 2 **As the Constitutional Revision Commission, the Legislature, and the Governor study the State's shifting taxing structure, they should consider the impact on tax-exempt nonprofit institutions, such as independent colleges and universities, of the shift away from reliance on property taxes. Any change in their tax-exempt status should result from a deliberative decision-making process where changes and their consequences are carefully analyzed.**

State planning issues affecting the future of the State's public and independent colleges and universities

State policy decisions about strategies for accommodating future growth in higher education and offering additional programs at its public institutions will affect both the State's public and independent colleges and universities In this section, the Commission discusses these two important planning issues

Better use of the independent institutions to accommodate anticipated enrollment demand

In order for the State to accommodate Tidal Wave II -- the expected 455,000 additional students who likely will be seeking enrollment at the State's colleges and universities in the coming decade -- California's independent colleges and universities will need to assist the State in accommodating a portion of these new students Based on current and planned physical capacity estimates, the independent institutions will be to able accommodate some 40,000 more students than they presently enroll Further, the independent institutions also indicate that they could increase the number of Californians that they enroll as well as to expand their physical facilities further in order to accommodate even more California students if the policy environment would be conducive to that decision

One of the questions raised is whether utilizing the independent institutions to accommodate a portion of this enrollment demand is a cost effective approach for the State In the Commission's earlier planning report -- *Higher Education at a Crossroads* -- the Commission concluded that using the State's independent colleges and universities to accommodate enrollment demand is cost effective, particularly when the analysis takes into consideration the cost of capital outlay In addition, the Commission's *Challenge of the Century* report calls for the State to make better use of independent institutions and to use financial aid funding to encourage students to take advantage of independent institutions to pursue their postsecondary educational goals

Recommendation 3: **As the State undertakes its planning efforts to accommodate Tidal Wave II, the Commission recommends that the State attempt to make use of all available capacity in its independent colleges and universities. If the State wishes to make better use of that capacity, it should increase funding for the Cal Grant program through one or both of the following options: (1) increase the maximum Cal Grant award for students attending the independent institutions, or (2) increase the number of new grant award recipients. Further, the Commission staff should conduct an analysis of these two options to determine if either of them is a more cost-effective approach for increasing the number of students choosing to attend one of California's independent colleges and universities, while acknowledging the purposes of the Cal Grant Program.**

New public institution programs that directly compete with independent institution offerings

In its report, AICCU cites actions that it termed "predatory" by a number of public institutions In the instances cited, public institutions established off-campus operations close to independent institutions already offering similar programs Further, these academic programs did not require the review or approval by the Commission, since they were either approved to be offered on the main campus or not supported by State funds

While the Commission acknowledges the benefits to be derived from competition in postsecondary education, it also recommended in *The Challenge of the Century* that the State pursue additional regional planning and cooperation The Commis-

sion believes that the limited funding available to higher education makes collaborative planning and the coordination of program offerings among institutions especially important

Recommendation 4. **The Commission recommends that its staff review its policies on program review and the establishment of new campuses and off-campus centers to determine if changes should be made to better promote collaborative regional program planning among the State's postsecondary education institutions.**

IV. CONCLUSION

Independent colleges and universities are a vital postsecondary education resource to the State and should be viewed as an equal partner with public systems in California's postsecondary education enterprise As such, the Commission believes that the State should attempt to ensure that its policies provide opportunities for California students to continue to have both access to, and choice among, the State's higher education institutions -- opportunities available only if California's independent postsecondary sector remains viable

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

Members of the Commission

The Commission consists of 17 members Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly Six others represent the major segments of postsecondary education in California Two student members are appointed by the Governor

As of June 1995, the Commissioners representing the general public are

Henry Der, San Francisco, *Chair*
Guillermo Rodriguez, Jr , San Francisco, *Vice Chair*
Elaine Alquist, Santa Clara
Mim Andelson, Los Angeles
C Thomas Dean, Long Beach
Jeffrey I Marston, San Diego
Melinda G Wilson, Torrance
Linda J Wong, Los Angeles
Ellen F Wright, Saratoga

Representatives of the segments are

Roy T Brophy, Fair Oaks, appointed by the Regents of the University of California,

Yvonne W Larsen, San Diego, appointed by the California State Board of Education,

Alice Petrossian, Glendale, appointed by the Board of Governors of the California Community Colleges,

Ted J Saenger, San Francisco, appointed by the Trustees of the California State University,

Kyhl Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and

Frank R Martinez, San Luis Obispo, appointed by the Council for Private Postsecondary and Vocational Education

The two student representatives are
Stephen Lesher, Meadow Vista
Beverly A Sandeen, Costa Mesa

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs "

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California By law, its meetings are open to the public Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren Halsey Fox, Ph D , who is appointed by the Commission

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 98514-2938, telephone (916) 445-7933

FINANCIAL CONDITION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES

Commission Report 95-10

ONE of a series of reports published by the California Postsecondary Education Commission as part of its planning and coordinating responsibilities Single copies may be obtained without charge from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938 Recent reports include

94-19 *The Performance of California Higher Education, 1994: The First Annual Report to California's Governor, Legislature, and Citizens in Response to Assembly Bill 1808 (Chapter 741, Statutes of 1991)* (December 1994)

94-20 *Student Profiles, 1994: The Latest in a Series of Annual Factbooks About Student Participation in California Higher Education* (December 1994)

1995

95-1 *A New State Policy on Community College Student Charges* (February 1995)

95-2 *The WICHE Compact: An Assessment of California's Continued Membership in the Western Interstate Commission for Higher Education* (February 1995)

95-3 *The Challenge of the Century: Planning for Record Student Enrollment and Improved Outcomes in California Postsecondary Education* (April 1995)

95-4 *Faculty Salaries in California's Public Universities, 1995-96: A Report to the Legislature and the Governor in Response to Senate Concurrent Resolution No 51* (April 1995)

95-5 *Legislative and State Budget Priorities of the Commission, 1995: A Report of the California Postsecondary Education Commission* (April 1995)

95-6 *Executive Compensation in California Public Higher Education, 1994-95: The Third in a Series of Annual Reports to the Governor and Legislature in Response to the 1992 Budget Act* (June 1995)

95-7 *Approval of the Escondido Center of the Palomar Community College District: A Report to the Governor and Legislature in Response to a Request from the Board of Governors of the California Community Colleges* (June 1995)

95-8 *Perspective of the California Postsecondary Education Commission on Educational Equity* (June 1995)

95-9 *A Capacity for Growth: Enrollments, Resources, and Facilities for California Higher Education, 1993-94 to 2005-06* (August 1995)

95-10 *Financial Condition of Independent California Colleges and Universities. A Report of the California Postsecondary Education Commission* (August 1995)

95-11 *Fiscal Profiles, 1995. The Fifth in a Series of Factbooks About the Financing of California Higher Education* (August 1995)

The Uncertain Partnership

A Study of the Financial Condition of California's Independent Colleges and Universities

Prepared by the
Association of Independent California Colleges and Universities

May, 1995

At the request of the
California Postseccondary Education Commission

IN CONFORMITY WITH EDUCATION CODE SECTION 66903(19)

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APPENDICIES

Acknowledgments

In 1992, the California Postsecondary Education Commission (CPEC), facing a serious reduction in state fiscal support, asked the Association of Independent California Colleges and Universities (AICCU) to consider preparing a report on the financial condition of independent colleges. Annual financial condition reports are mandated CPEC functions per the California Education Code. The independent colleges have always considered their relationship with the state a partnership. Thus, it was logical for the Association to agree to help the Commission meet its statutory responsibility.

In order to accommodate the request, AICCU needed to enhance its data and analysis capabilities. As a part of that effort, AICCU began to construct a series of databases which could respond to the kinds of questions that arise in the development of public policy. The James Irvine Foundation offered a grant to the Association, designed in part, to support the data enhancement efforts.

In order to test the findings of the report, AICCU distributed preliminary versions to a panel of experts on higher education finance. The peer review process included individuals who are currently employed at independent colleges as well as outside researchers and analysts who have extensive backgrounds in both public policy and higher education finance. We have found a remarkable willingness by many prominent individuals to offer comments and suggestions. We also sincerely appreciate the support and suggestions from CPEC staff. While all critical comment has been very helpful, we take ultimate responsibility for the findings and conclusions in the report.

This report was designed and written by AICCU staff including Juan Yniguez, Marjorie Suckow, and Jonathan Brown. Fellow AICCU staff member Carole Eudey formatted the report. Diane Guido, from The Claremont Graduate School, graciously agreed to edit the report. Drafts were discussed in the Association's Executive Committee in October, 1994. Findings were discussed at the Association's annual meeting in March, 1995. Commission staff, Penny Edgert, Karl Englebach, and Christopher Carter were apprised of the study over the course of its development.

I. Executive Summary

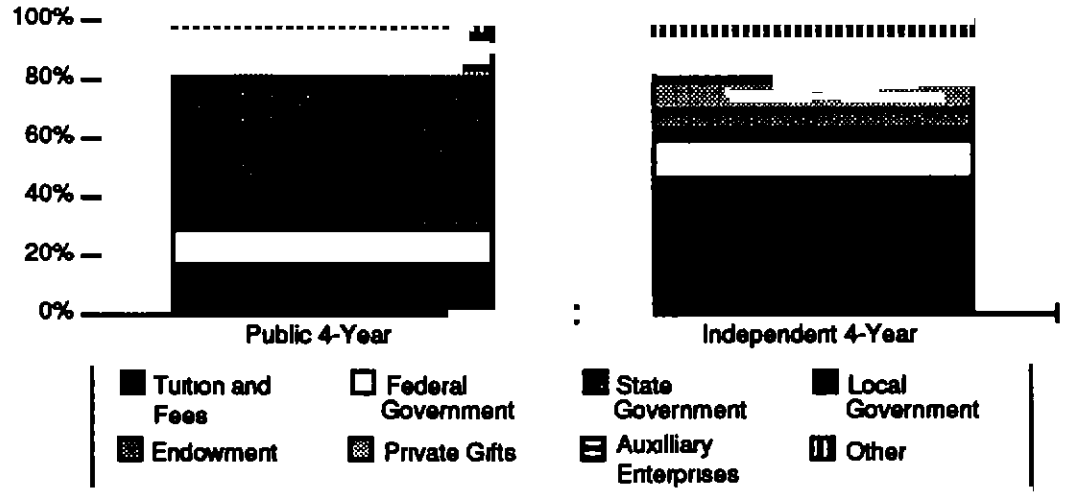
The cliché of the nineties posits that higher education is in a time of transition. This characterization is certainly true for the independent sector in California. As this study attests, the sector itself is changing. Further, the definitions that guided the relationship between independent higher education and state policy for all higher education over the last several decades have begun to change. A confusing phenomenon is emerging in the current setting: There are indicators that contributions of the sector to public policy goals will become more vibrant. At the same time there are indicators that the relationship will deteriorate. Obviously, both outcomes cannot occur. How can this be? Part of the answer lies in the diversity of the sector. The variation in size and mission within the sector may produce different results. Another part of the answer may come from the unsettled times that we are in, confirming that we are, indeed, in a transitional phase with two very different outcomes possible.

The uncertainty of how the independent sector will contribute to the attainment of broader higher education policy goals, comes at a time when California is poised to see significant growth in higher education over the next decade. It also comes at a time when the economic contribution of all of higher education to the state's knowledge-based economy is well understood. Finally, it comes after several years of very tight state budgets, where choices among budget priorities have become unreasonable. The unbridled optimism that has characterized the California spirit since before statehood has been challenged.

To understand the setting for California independent colleges, a good starting point is a comparison of sources of income for independent and public institutions nationally. We have chosen to use three national baseline averages for comparison. The comparisons include all public four-year institutions in the country, all independent institutions and a subset of independents; that is, those rated by Moody's Investors Services. As shown in Display 1-1, the sources of revenue for independent colleges versus public four-year institutions are very different. The major source of revenue for independent

colleges is tuition and fees. The major source of revenue for the public sector is state government. As shown in Display 1-2, the Moody's institutions compare closely to the national averages for independents, although there are some variations. Tuition and fees provide about the same percentage of revenues in the independent sector that are provided in the public sector by state taxpayer resources. Gifts and endowment resources provide about four times the revenues for the independents than they provide for public institutions.

Display 1-1: Comparing Sources of Revenue, Public to Independent (Graphic)



Display 1-2: Comparing Sources of Revenue, Public to Independent (Actual Percentages)

Source	Public 4-Year	Independent 4-Year	Moody's National Median Institutions*
Tuition and Fees	16.3%	45.2%	58 8%
Federal Government	12.8%	13.7%	6 9%
State Government	46.8%	2 8%	1 3%**
Local Government	3.8%	0 8%	
Endowment	0.4%	6 3%	4.0%
Private Gifts	3.7%	10 2%	6.8%
Auxiliary Enterprises	10.6%	12 9%	13 8%
Other	5.6%	8.1%	8 4%

* Reflects medians for all independent institutions rated by Moody's Investors Services. These are the 1995 medians and reflect 1993 data.

** Moody's combines state and local appropriations.

Source: *Independent Colleges and Universities. A National Profile,* National Institute of Independent Colleges and Universities, 1992

Although the independent sector in California began almost at the time of statehood, the contribution from endowment earnings in most institutions in California is about a third less than the 6.3% independent sector national average and closer to the Moody's comparison institutions. Dependency on tuition and fee income in California's independent sector is slightly higher than the national average as is dependency on gifts and grants. These differences have the potential to make a substantial portion of the sector more vulnerable to changes in the economic situation of the state. State aid to students, while small as a fraction of total operating budgets, and small in terms of what California spends on higher education, is critical for the success of the independent institutions as they strive to fulfill their critical role in California higher education. At the same time, state policies toward public institutions—those that also impact the environment for independent colleges—are critical in assessing the health of independent institutions.

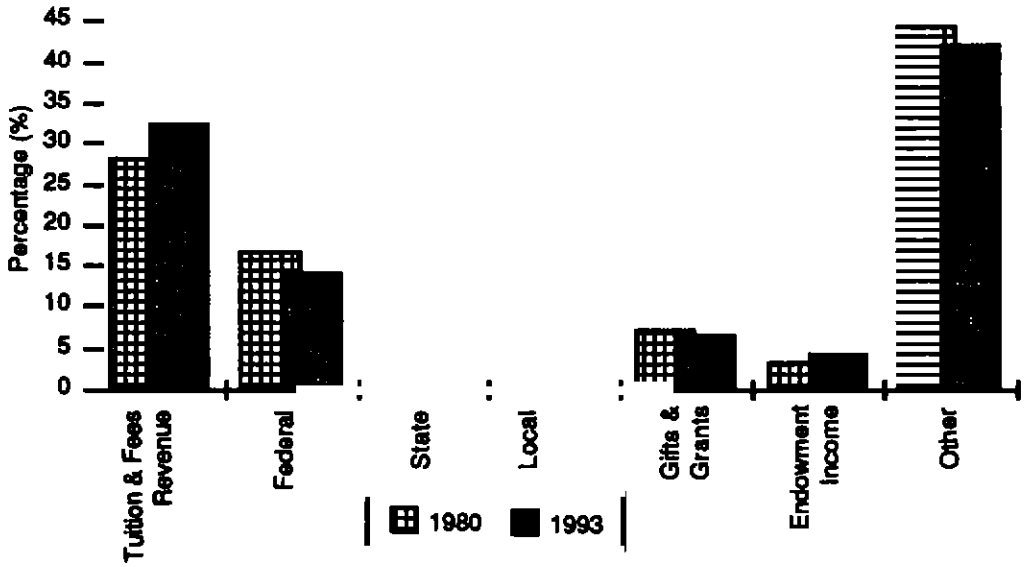
A major theme of this study is to highlight the critical partnership between the independent sector and the State of California. Much attention in California higher education is given to the productive and necessary partnership amongst the public segments and to the similar partnership between the public segments and the independent sector. Typically, much attention is also given to the relationship between the state (via the Legislature and the state bureaucracy) and the public segments. However, due to the autonomy of the independent sector, comparatively little attention is given to the on-going and evolving relationship between the independent sector and the state. Without desiring or attempting to change the inherent relationship of the sector to the state, this report highlights how the state and independent sector can strengthen their partnership.

The central question guiding this report is, "How are the independents doing?" The question is based on sound policy considerations: if the independent sector is a major resource available to the state, policy makers need to understand the current condition of the sector. Unlike the public sector, which is a creation of state policy, the independents developed apart from the legislative process. Yet, anyone who understands the origins of the independent sector in California, knows that it operates best in partnership with state policy on higher education. The question "How are the independents doing?" is best answered in relation to ancillary questions: How has the independent sector weathered the recession of the early 90s? How are

independent sector enrollments holding up? Are there changes in patterns of enrollment? How have the financial structures of the institutions changed over time? How is independent sector degree production faring? And finally, how are state policies affecting the independents?

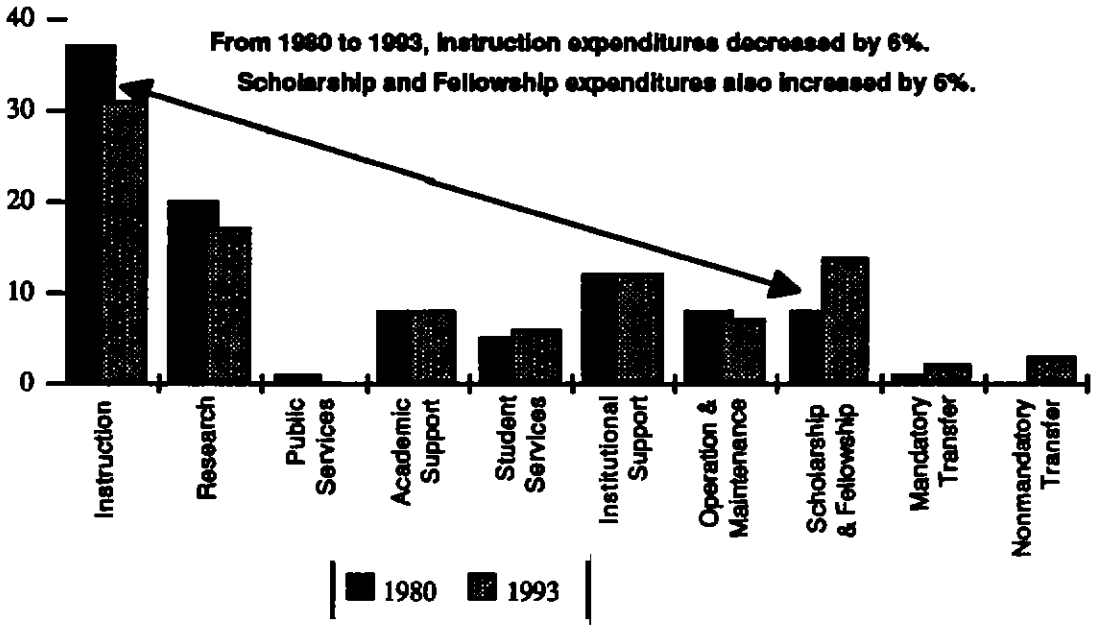
Two charts that show changes in patterns of revenues and expenditures for the sector tell a lot about how the sector is doing. Educational and General revenues cover the costs for the fundamental day-to-day operations of an educational institution. Display 1-3 shows that over the last fifteen years, California's independent colleges and universities have become more reliant on tuition income and slightly less reliant on gift and grant income.

Display 1-3: Shifting Sources of Education and General Revenues



On the expenditure side of the ledger, the changes are more dramatic. Display 1-4 shows that significant shifts in spending have occurred that mirror national trends. For example, six per cent of the budget has shifted from instructional expenditures to funding for scholarships and fellowships. At the same time there has been a smaller shift of resources from operations and maintenance to student services. These shifts seem to have been influenced by state and federal policies. In the case of increased support for institutionally funded student aid, the shift correlates with declining support from state and federal sources for grant assistance. The shift from physical plant to student services seems to be a direct result of the unfunded mandates of new regulations for all colleges beginning in the 1980s.

Display 1-4: Shifting Sources of Education and General Expenditures



Specific findings of the report are included in each chapter. However, five conclusions summarize trends across the breadth of the study. They include:

- **The independent sector is actually two sectors.** One depends on a mix of resources, including tuition revenues, indirect support for research, and contributions from endowment and gifts. The other is more reliant on tuition and fee revenue. The latter is less capable of generating contributions from endowment income and less likely to pursue funding for research activities.
- **Both sectors experienced significant stress during the five year period 1985 to 1990.** Both exhibited some evidence of recovery during the period 1990 to 1993.
- **The second group of institutions seems to be more affected by changes in state policy toward higher education, including support for student aid, and by increases in enrollments in the public sector.** Support for student aid correlates with growth, while increases in public enrollments put pressure on the independent sector. The second group of institutions may also be the primary sites where the independent sector is able to accommodate a significant portion of California's enrollment needs in the next decade.

- Rather than rank ordering, **the two sectors seem to operate in a parallel fashion.** One tier of institutions seems to demand significantly higher levels of capital, at the same time its points of financial stress seem to coincide with the other tier of institutions.
- During the period of the study, **enrollments and degrees have increased but share of enrollments and degrees has declined.**
- **State policy affects the independent sector in many ways.** Changes in enrollments in the public sector, neglect of the student aid programs in both the public and private sectors, increases in fees and assessments, all change the capabilities of independent institutions to contribute to the higher education resources available to Californians.

Because of the diversity of institutions within the independent college sector, the findings of this report are logically not uniform. If nothing else is learned from the study, one should come away with the conclusion that simple answers to problems and challenges are not available. Too much attention on one aspect of the independent enterprise will require neglect of an equally important one. While the relative budgets of independent colleges do not yet balance out to a classic zero sum equation, the dynamics of the financial environment are considerably more complex than they were in earlier periods. The issues and dilemmas facing the sector are summarized in the chart below:

Display 1-5: Opposite Images of Issues Facing Independent Colleges

Issue	Positive Factor	Offsetting Factor
Student Applications	Total applications seem to be holding steady	Applicant yield is showing some declines
Enrollment	Total enrollment over the period of the study is up	The increasing use of institutionally funded student aid and loans by students is a cause for concern
Budget	For the most part, balanced budgets have been achieved	There is a shift in expenditures that may be dictated by financial stress rather than voluntary choice
Fiscal Health	Independent institutions are working to meet changes in the environment by modifying financial structures and processes	Declining support for state funded student aid and increased mandates have put pressures on patterns of expenditures

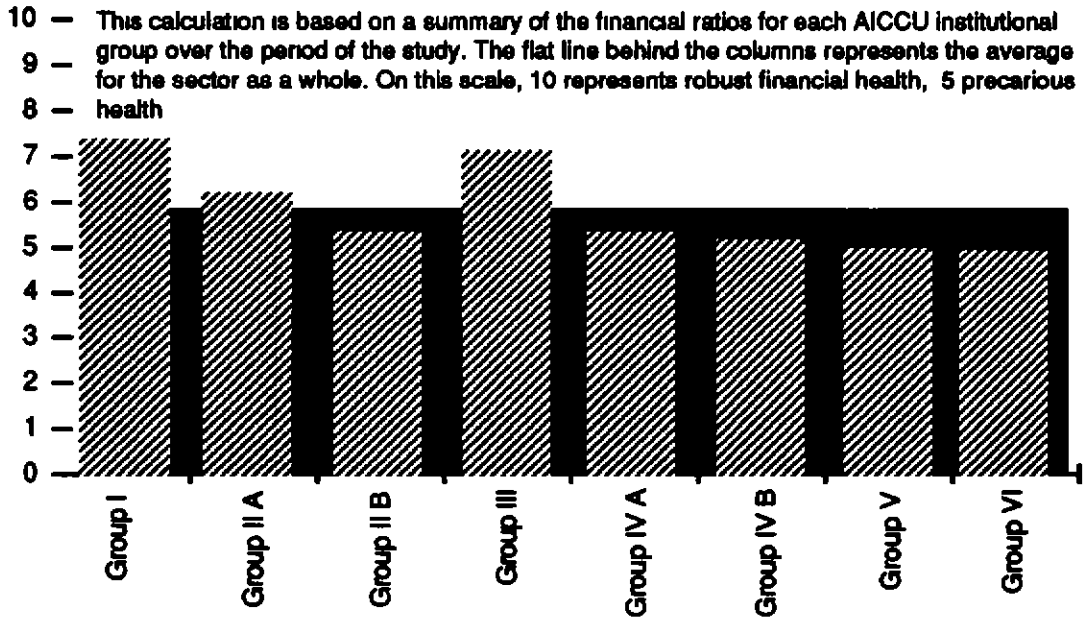
The uncertainty of the current environment has led institutions to think carefully about fundamental restructuring. Several institutions have done

strategic reviews of both their mission and curriculum. Many institutions have restructured their budgets to concentrate resources on educational activities. Several institutions have done intensive thinking about tuition pricing and the overall relationship between institutionally-funded student aid and tuition price.

The continued contributions of the independent sector to the state are dependent on a number of factors; some are in the control of the institutions themselves, others are in control of the state, still others are in the control of individual students and families. A strong partnership between the state and the independent sector is critical to the optimization of a continued role for the California independent colleges and universities.

Display 1-6 presents a graphic summary of the cumulative financial ratios analyzed in this report. The graph provides a summary of the financial ratios for each AICCU institutional group over the period of the study. It shows that the overall health of the sector is good but far from robust. (See Appendix 2: Display A2-1 for a listing of AICCU groups. See Appendix 4 for an overview of financial indicators ratios, by group.)

Display 1-6: The Current Strength of Independent Colleges in California



II. Introduction and Background

An Overview of California's Independent Colleges and Universities

Dating back to the early 1850s, independent colleges and universities represent the oldest higher education tradition in California. In 1851, three years after California's entry into the Union, both Santa Clara University and the University of the Pacific opened their doors. In contrast, the first campus of what is now known as the California State University was started as a normal school in 1857. Eleven years later, the University of California opened its first campus in 1868. It was not until 1908 that California's community colleges began evolving from high school extensions into junior colleges.

At the same time, independent colleges also include some of the newest institutions in the state. The Pacific Graduate School of Psychology was established in 1975. Both the American Academy of Dramatic Arts and The Fielding Institute were established in 1974.

Today, seventy-two (72) independent colleges and universities are members of the Association of Independent California Colleges and Universities (AICCU). These seventy-two colleges and universities are accredited by the Western Association of Senior Colleges (WASC). They are also non-profit and degree-granting institutions [1]

Uniqueness of both mission and campus culture are hallmarks of California's independent colleges and universities AICCU members range from small specialty colleges in the arts and sciences with a couple of hundred students to large comprehensive universities with more than thirty thousand students. In between this range are free-standing graduate and professional schools, campuses with Christian, Catholic, and Jewish affiliations, single

[1] AICCU estimates that a total of 112 degree-granting and non-profit institutions actually operate in California. However, the vast majority of the forty non-AICCU member institutions are either not regionally accredited or they are seminaries with a student body very different than traditional degree granting institutions. AICCU further estimates that of these forty institutions, fewer than five are eligible for AICCU membership. AICCU members account for an estimated 98% of the independent sector total enrollment. They also account for 93% of the state financial assistance received by students attending an independent college or university. Non-profit independent colleges and universities should not be confused with proprietary schools or for-profit and degree granting institutions that are not regionally accredited.

gender schools, traditional liberal arts colleges and universities, residence-based colleges and universities, and campuses for working adults.

California's independent colleges have characteristics similar to their counterparts across the country. Indeed, although the independent sector is generally less visible in the Western states, California is one of a half dozen states that comprise a substantial portion of the independent sector nationwide.

Display 2-1: Where California Fits with Independents in Other States?

State	Enrollment (Private)*	Rank
New York	427,990	1
Massachusetts	224,689	2
Pennsylvania	223,267	3
California	**215,513**	**4**
Illinois	175,254	5
Ohio	115,229	6
Texas	101,159	7
Florida	100,989	8
Missouri	93,025	9
Michigan	83,320	10

* Includes all four-year private colleges and universities
Source: The Chronicle of Higher Education, September 1994

The prominence of the sector in this state, as compared to other states is highlighted by a number of reference points. California boasts three of the fifty-six members of the American Association of Universities, the key research institutions in the country.[2] The annual US News and World Report's college issue routinely includes several liberal arts colleges in California as nationally ranked institutions. With the exception of a Historically Black College, the sector has at least one of every kind of independent institution represented across the country.

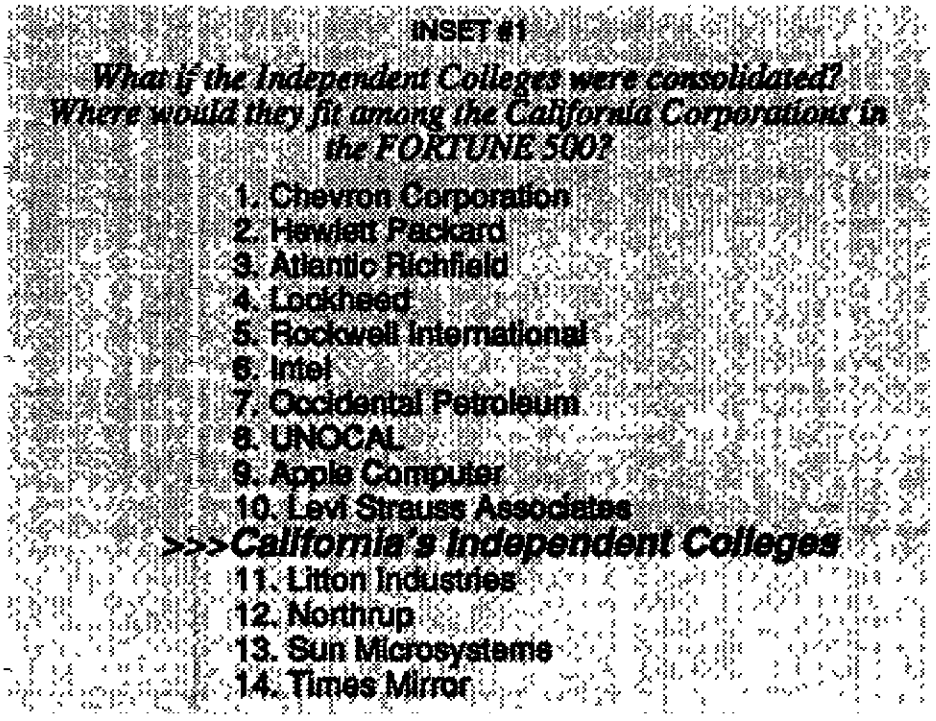
Similar to the public segments, independent colleges have educated California's citizenry and leaders for generations. Unlike the public segments, independent colleges are autonomous. Membership of most in AICCU notwithstanding, independent colleges and universities comprise a sector of affiliated institutions; not a centralized segment. While allowing for educational flexibility and creativity, this organizational fact of life presents a

[2]The University of California is also an AAU member.

perennial challenge in reminding the public and policy makers of the significant contributions independent colleges and universities make to the well-being of California and its citizens. Why should the public and policy makers care about the contributions of the independent sector? The response to this question comes best in the form of another question. What would the state lose if there were no independent sector?

Comprised of 182,400 students, total enrollment of AICCU member campuses represents 30% of the enrollment of four-year and above students in California. AICCU members enroll 21% of the four-year undergraduate student population in California, and 50% of the graduate and professional student population. AICCU member campuses produce 20% of the four-year undergraduate degrees in California, 49% of the master's degrees, 44% of the doctoral degrees, and 69% of the professional degrees. They also produce 23% of the teacher education degrees in California.

Independent colleges and universities have a work force of 40,000 full-time equivalent (FTE) staff and faculty. Their combined gross assets at book value exceed $7 billion. A sizable student population, work force, and financial portfolio enable the independent sector to annually contribute $13 billion to the economy of California. The operating budgets of all the institutions in the sector amount to $5.5 billion.



Source: Fortune 500, April 1994

In 1974, given the long history and significant contributions of independent colleges, the California State Legislature and governor directed the California Postsecondary Education Commission (CPEC) to develop annual reports "...regarding the financial conditions of independent institutions..." These reports were also to assess independent college "...enrollment and application figures, the number of spaces available, and the respective cost of utilizing those spaces as compared to providing additional public spaces." Finally, the reports were to provide "recommendations concerning state policies and programs having a significant impact on independent institutions." [Education Code Section 66903(19)]. The sections in this report generally follow the clauses of section 19, including the development of an analytical model for the utilization of spaces in the sector.

The report is the eighth in a series (1977, 1978a, 1978b, 1979, 1981, 1985, 1988) complying with the legislative and gubernatorial mandate. Due to a series of staff and budget cuts at CPEC, this iteration of the Financial Condition Study, represents the first time that the study has been conducted in seven years. It could not be more timely. Compared to its predecessors, the report includes more comparative data on the sector in relation to the policy benchmarks established in the authorizing statute.

Since the last report was published, significant changes have occurred in California higher education. In the late-1980s revision of the state's Master Plan for Higher Education, the Legislature formally acknowledged the important role the independent sector plays in California higher education. While affirming the need for the independent sector to be a full and active partner in higher education planning in California, the Legislature also affirmed *de facto* the right of independent college students to receive state financial assistance. It did so by codifying the process by which independent college students receive merit- and need-based state financial aid.

The subtle but important clarifications regarding independent colleges and universities in the revised Master Plan, presaged momentous changes that would occur in California higher education in the early 1990s. These changes brought to life key aspects of the revised Master Plan, as the higher education community increasingly turned to the independent sector as a resource to address problems and challenges of a magnitude never before experienced in California since the Great Depression.

A prolonged recession leading to dramatic budget cuts in the state subsidy of public higher education, in turn, led to a direct assault on California's much cherished principal of "open access." Public students experienced sharp fee increases, faculty ranks thinned, fewer course offerings were available, more courses were impacted, and inevitably enrollments dropped in the sector. These phenomena occurred, and continue today, on the eve of an expected jump in the cohort of college-eligible students in California. Over the next decade, it is anticipated that a minimum of 450,000 more students will be eligible to attend college than already attend today.

Concomitant with the on-going problems in the public sector, is an increasing recognition of an important fact related to the independent sector. Traditionally, independent colleges evidence a significant number of unused enrollment slots. A 1990 CPEC report (*Higher Education at the Crossroads, 1990a*), estimated that unused capacity in the independent sector would be approximately 30,000 by 2005. AICCU has updated this figure. Currently, at thirty-nine member campuses, at least 20,000 unused enrollment slots are available. By the year 2000, another 20,000 are expected, raising the unused capacity in the independent sector by a minimum of 40,000.

There is little wonder then, how a healthy and vibrant independent sector offers a glimmer of hope to a beleaguered higher education community in California. No one believes that the contributions of the independent sector will solve all the problems facing higher education. However, with the lives and careers of many thousands of California's best and brightest at stake, and with the very future of California hanging in the balance, the contributions of the independent sector represent an important part of the solution.

Study of the Financial Condition of the Independent Sector in a Policy Context: 1990-1993

There are two reasons for asking about the financial health of the independent sector. First, the mandated study in the authorizing statute for CPEC suggests a series of tasks that should be accomplished in order to make sound policy judgments. Second, in concurrence with the Education Code provisions of the Master Plan for Higher Education, the independent sector is a part of the available resources for educating Californians beyond high school. When the independents are not healthy, the commitment to the creation of

educational opportunities, as clearly stated in both our Constitution and Education Codes, is diminished.

The central question then, "How are the independents doing?" guiding this series of reports takes on greater significance in the turbulent 1990s. So too do ancillary questions: How are independent sector enrollments holding up? How is independent sector degree production faring? How has the independent sector weathered the recession of the 90s? and, How are state policies affecting the independents?

The preliminary response to the questions guiding this report is counter-intuitive. As California's economy endured a four-year downturn and as the public segments experienced great hardship, total enrollments and total degree production in the independent sector increased modestly. As a group ethnic minority students and women were the main beneficiaries of these increases. A number of key fiscal indicators also remained guardedly positive. The independents were able to balance revenues with expenditures. They were able to sustain modest growth in annual expenditures made per FTE students. They strengthened their commitment to diversity through unprecedented investment in financial aid. And, interestingly, federal financial aid (primarily in the form of loans) to independent college students grew appreciably.

A more informed response reveals bothersome trends. Undergraduate degree production in the early 1990s was down in the independent sector. Enrollments for African American undergraduate students, as a percentage of enrollments, remained essentially static. Chicano/Latino and Asian American/ Pacific Islander students made significant enrollment increases at all levels. Yet, there is still progress to be made.

Some key fiscal indicators were also problematic. The sector became increasingly tuition-dependent. While institutional commitment to financial aid grew dramatically, instructional costs as a percent of total expenses remained essentially flat. In real terms, the state commitment to independent college students continued to decline. The eroding tax-exempt status of the independent sector, the high cost of regulation, and necessary capital asset management costs (e.g., deferred maintenance) added a fiscal strain on already tight independent college budgets. Absent a change in certain fiscal trends and fundamental changes in state and federal policy directed towards the independents, both short-term successes in the early nineties and long-term stability are jeopardized.

A key set of financial changes over the course of the study relate not to the institutions directly but to the students who attend them. Since the last study, the level of reliance on student loans has increased geometrically. Some of this change has been brought about by increased federal loan limits. But an equally compelling factor is the decline in governmentally funded grant assistance. This decline is especially dramatic in state funded grants. As will be discussed in the chapter on student aid, some of the shortfall has been filled with institutionally funded assistance, but the gap between financial need and assistance for deserving independent college students continues to grow. At some point, students will be unwilling or unable to leave their undergraduate studies with a $30-40,000 loan obligation; they might resist even the most lucrative of graduate fields if they face loan burdens of more than $100,000. The limits on student willingness to borrow may soon be reached.

A Word About Methodology and Data

A key operating principle of this report has been to employ comparative data to assess the health of the sector. Where possible, data have been disaggregated into analytical groups of campuses with similar characteristics and missions (see Appendix 2). Also, when possible, comparative national data have been used to view the sector beyond the California context. While the setting for California is primary to the task required by statute, the national data allow for comparisons with a broader set of peer institutions. We were fortunate that Moody's Investors Services (MIS) has recently published its 1995 Higher Education Medians report. The medians are constructed from data supplied by all institutions rated by MIS. Moody's role in the investment community is to inform potential investors of the financial strength of potential borrowers. Thus, their analytical work parallels the questions posed in the authorizing statute for this study.

Data do not make policy. Exacting analysis and inspired vision create policy. Given the critical issues at stake, more so than in previous versions, this report attempts to go beyond the data. It attempts to posit important policy directions for both the sector and the state. The partnership between the independent institutions of the state and the public sector has proven beneficial over a long period of time. As the report shows, continued benefits to all Californians provided by a vigorous independent sector are at risk.

III. Applications, Enrollment, Capacity, and Cost to the State

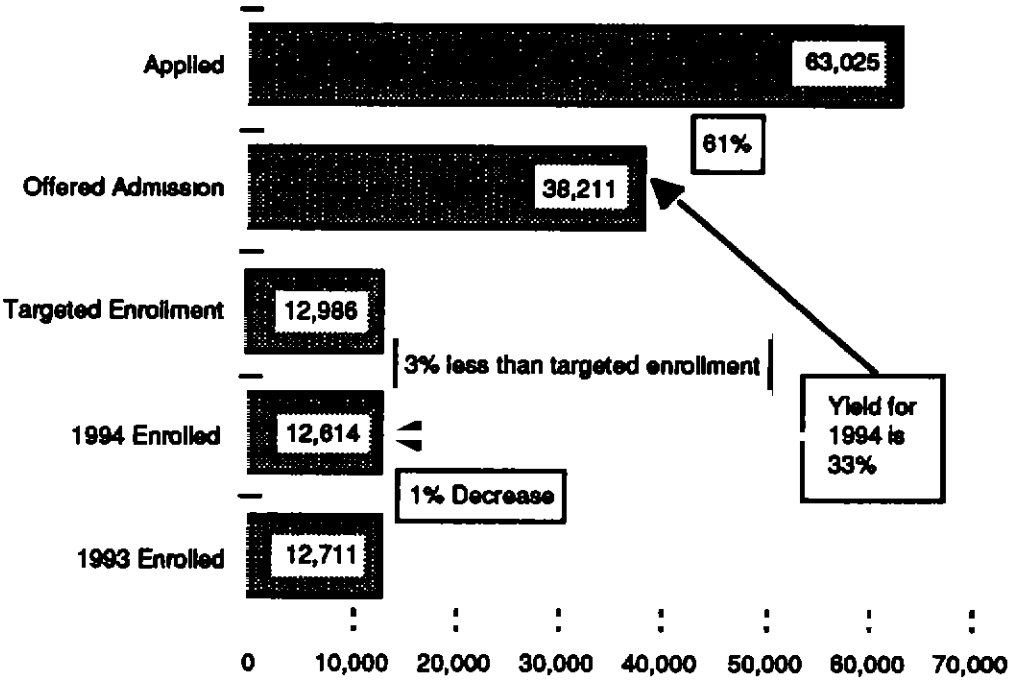
An underlying assumption of two Master Plan policy bills passed in 1991 was that the state would benefit from a continued partnership with the independent sector. The statutes include the independents as a full partner in the development and implementation of state higher education policy (AB 617) and establish a methodology for setting the maximum student aid award (AB 4270) for each sector in the Cal Grant program. The methodology was established, in part, as a cost effective way of utilizing the independent sector. While the commitment was made in statute, as shown below, the commitment to fund the partnership has been lacking.

The CPEC statutory requirement links applications, enrollments, space availability, and the cost to the state as substantive questions to be answered in this report. This chapter looks at each of these key issues and presents a model from which to judge alternative public policy strategies.

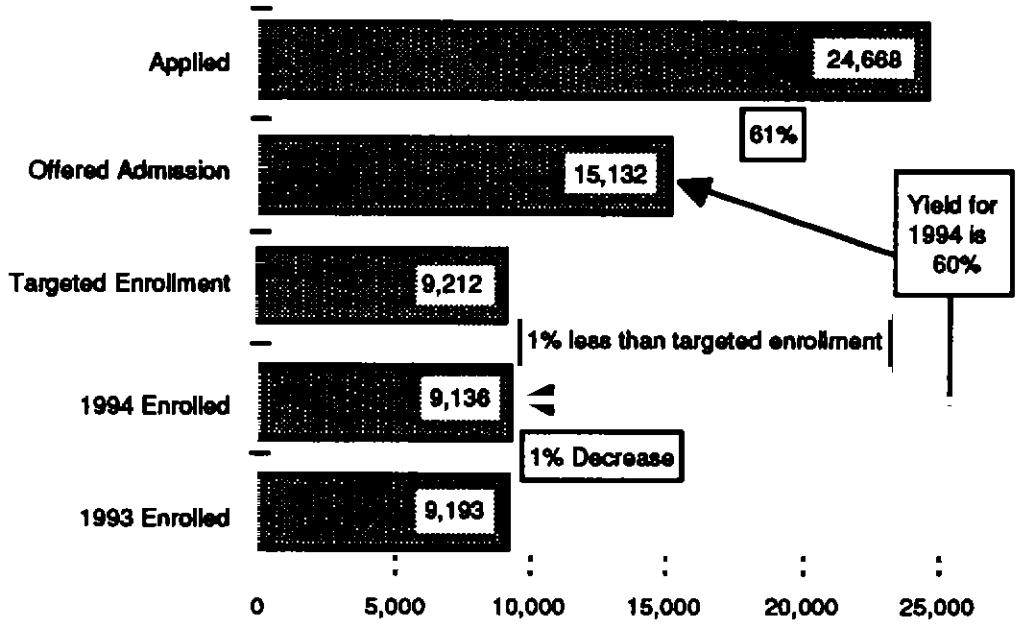
The Process of Admissions

Marketing experts in American corporations study demographics to find the best opportunities for potential yield. They define a target population and they estimate the relative cost of yield. In a college context, admissions offices go through a series of similar steps. The admissions process is the culmination of a series of attempts to define and identify a market. The admissions process looks like a normal linear decision process. After prospective students are made aware of a college, some apply for admission. The applications are assessed against the institution's criteria and a subset of applicants are offered admission. Of all students who are offered admission, a fraction actually choose to enroll. At the beginning of the process each college projects a target enrollment. Depending on the number of applicants and admits, the target may be adjusted during the course of the admissions cycle. Finally, the total number of students enrolled is compared to all of the factors cited above. The following graphs track the admissions cycle for Fall 1994 first time freshmen and transfer students.

Display 3-1: Yield Calculation for Fresh Admits, Fall 1994



Display 3-2: Yield Calculation for Transfer Admits, Fall 1994



For the past several years independent colleges have witnessed a number of admissions trends. First, nationally and in California, students are applying

to an increasing number of institutions. Second, final student decision on enrollment, even with a deposit required in early May, seems to be getting later and later. Many families are willing to post a deposit to take additional time to shop for different financial aid packages.

The Moody's medians show a decline in matriculation numbers over the period 1991-1993 for both public and independent colleges nationally. In public institutions the decline may reflect the increased pressure on budgets and access, parallel to the California trends. Independent institutions also show a decline. That may be a function of affordability for the sector.

Display 3-3: Matriculation Averages from the Moody's Medians by Sector

Sector	1991	1992	1993
Independent	40 1%	38 9%	38 9%
Public	51 1%	49.4%	47.6%

Over the past few years independent college enrollments in California have risen modestly. However, the 1994-95 applications cycle shows evidence of deterioration. Enrollment data show that independent colleges became relatively more attractive to students when the reductions in courses and increases in fees affected the four-year public segments in the early 1990s. In the 1994-95 cycle, preliminary estimates of enrollment of freshman students for thirty institutions declined by about 1%. When compared to 1993, this decrease represented 370 students below target. For transfer students at forty-seven institutions, there was also a 1% decrease when compared to 1993. That, in turn, was about 1% less than targeted enrollment. These data suggest that the relatively stronger position of the public institutions and the continued decline in the value of the Cal Grant award for independent college students began cutting into enrollment increases for the independent sector in the 1994-95 cycle.

It is unclear whether this is the beginning of a trend or a one year aberration. The 1994-95 data on transfers was especially troubling. In several institutions, especially those in Group II (see Appendix 2: Display A2-1), transfer yield declined precipitously. At the same time, transfer yield at other key institutions was very successful. The Group II institutions are a significant source of transfer spaces. Admissions directors from those institutions, indicated that the relative value of the Cal Grant, was a significant factor in the decline. Many commented that the average package (i.e., a mix of grants and

loans) which has required an increased reliance on loans in recent years, makes the independent option less attractive than in previous years.

All colleges operate in a competitive environment. Students balance price, their understanding of relative quality, and other factors when comparing institutions to make an enrollment decision. Over the past decade, as fees have increased in the public sector the nominal price difference, or "tuition gap" has declined. However, students as consumers understand the difference between nominal and real price differences which is highlighted with the offering of student aid, especially grant assistance.[3] The real difference between public and independent college tuition and fees can be computed by establishing the average fees by type of institution and then deducting the average grant assistance per student. State budget policy has kept the real price gap high for independent college students who are eligible for Cal Grants. As fees have increased in the public sector, General Fund monies have come close to supplying "full fee funding," one of the policy goals of the Master Plan policy on student aid. Unfortunately, the maximum award in the independent sector—a second and co-equal portion of Master Plan policy on student aid—has been held at $5,250 in the past five of six budgets. If the policy were fully implemented, the current Cal Grant A maximum would be $8,200, still a very cost effective alternative to funding student subsidies in the public sector.

Enrollment

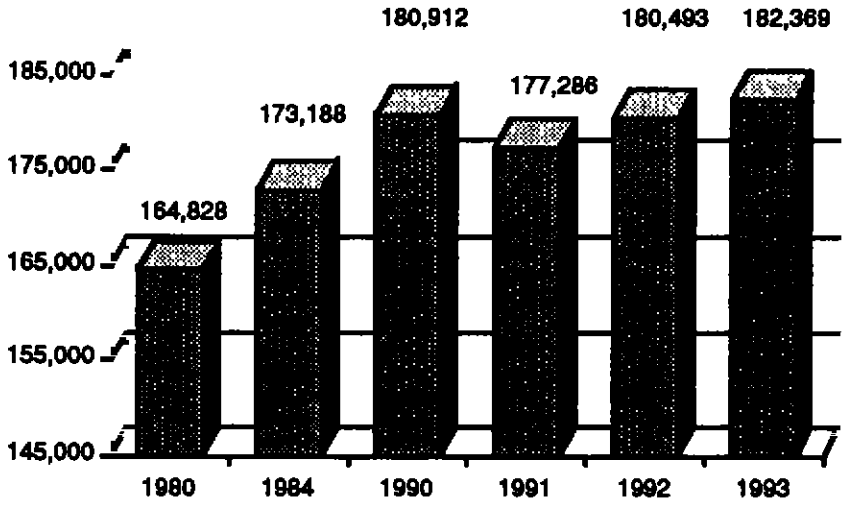
This report concentrates on "domestic" enrollments, especially in the chapters on enrollment and degree production. The term refers to students who are U.S. citizens or permanent residents. Domestic enrollments can be gleaned from the Integrated Postsecondary Education Surveys (IPEDS), which are a source of much of the data in this report. The focus on domestic students has a sound public policy basis because they are the most likely to be affected by shifts in public policies.

During the fourteen years from 1980 to 1993, total headcount enrollment in California's independent sector increased by 10.6% overall (See Display 3-5.) However, during the four years from 1990 to 1993, total headcount enrollment increased by only 0.8%. Full-time headcount enrollment steadily increased by 13.2% from 1980 to 1993. While overall part-time headcount

[3] A later section will discuss the concept of net tuition revenue.

enrollment showed a moderate increase of 4.4% over the entire period of the study, it showed declines between 1984 and 1990 and between 1990 and 1993.

Display 3-4: Total Independent College Enrollment, 1980-1993



Display 3-5: Enrollment at Independent Colleges by Level, 1980-1993

Type of Enrollment	1980	1984	1990	1991	1992	1993	Percent Change Between 80 & 84	84 & 90	80 & 90	90 & 93	80 & 93
UG FT headcount	80,360	82,736	83,575	84,588	84,059	86,046	3.0%	1.0%	4.0%	3.0%	7.1%
UG PT headcount	15,627	18,579	17,235	14,277	16,197	16,427	18.9%	-7.2%	10.3%	-4.7	5.1%
Total UG headcount	95,987	101,315	100,810	98,865	100,256	102,473	5.6%	-0.5%	5.0%	1.6%	6.8%
Total UG FTE	85,829	89,239	89,607	89,585	89,728	91,795	4.0%	0.4%	4.4%	2.4%	7.0%
Graduate FT headcount	22,973	21,884	29,678	29,001	31,289	31,510	-4.7%	35.6%	29.2%	6.2%	37.2%
Graduate PT headcount	30,503	34,824	34,871	32,708	32,284	31,242	14.2%	0.1%	14.3%	-10.4%	2.4%
Total Graduate headcount	53,476	56,708	64,549	61,709	63,573	62,752	6.0%	13.8%	20.7%	-2.8%	17.3%
Total Grad enrollment FTE	33,649	34,072	41,893	40,449	42,588	42,445	1.3%	22.9%	24.5%	1.3%	26.1%
Prof FT headcount	13,011	12,281	12,986	13,444	14,280	14,180	-5.6%	5.7%	-0.2%	9.2%	9.0%
Prof PT headcount	2,354	2,884	2,567	3,268	2,384	2,984	22.5%	-11.0%	9.0%	16.5%	25.9%
Total Prof headcount	15,365	15,165	15,553	16,712	16,664	17,144	-1.3%	2.6%	1.2%	10.2%	11.6%
Total Prof enrollment FTE	13,835	13,290	13,884	14,588	15,114	15,217	-3.9%	4.5%	0.4%	9.6%	10.0%
Total FT headcount	116,326	116,901	126,239	127,033	129,628	131,736	0.5%	8.0%	8.5%	4.4%	13.2%
Total PT headcount	48,484	56,287	54,673	50,253	50,865	50,653	16.1%	-2.9%	12.8%	-7.4%	4.4%
Grand total headcount	164,828	173,188	180,912	177,286	180,493	182,389	5.1%	4.5%	9.8%	0.8%	10.6%
Grand total enrollment FTE	133,313	136,601	145,375	144,622	147,431	149,458	2.5%	6.4%	9.0%	2.8%	12.1%

As Display 3-5 shows, at the three degree levels—undergraduate, graduate, and professional—the largest enrollment increase was recorded at the graduate

level, with an increased enrollment of 17.3% from 1980 to 1993. This was followed by a 11.6% professional enrollment increase, and by an increase in undergraduate enrollment of 6.8% during the same period.

During 1980 to 1993 undergraduate headcount enrollment increases were steady; 5.0% between 1980 and 1990 and 6.8% between 1980 and 1993. However, there was a sharp decline, of 7.2%, in part-time enrollment from 1984 to 1990 and of 4.7% between 1990 and 1993.

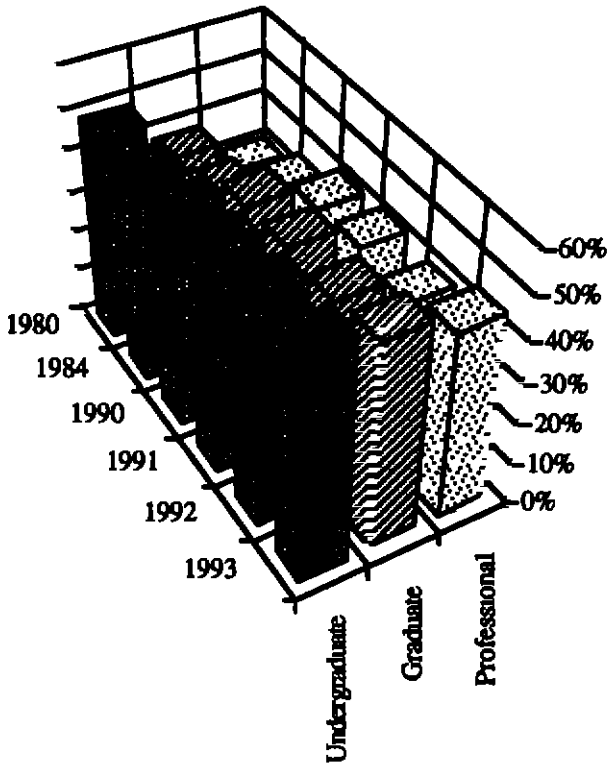
The overall increase of 17.3% at the graduate level between 1980 and 1993 was due in large part to the 37.2% increase in graduate full-time enrollment for the same years. Still, a decline of 10.4% was observed in graduate part-time enrollment between 1990 and 1993. Due to this decrease, the overall increase in graduate part-time enrollment was only 2.4% from 1990 to 1993.

Between 1980 and 1990, the overall professional headcount enrollment increase was a modest 1.2%. Yet, from 1990 to 1993, the total professional headcount increased by 10.2%. This was due in large part to an increase of 15.5% in part-time professional enrollment for the same years. In fact, from 1980 to 1993, part-time professional enrollment increased by 25.9% compared to a full-time professional enrollment increase of 9%.

Domestic Enrollment by Gender and Ethnicity

Female students at the undergraduate and graduate levels in the independent sector now exceed that of their male counterparts. (See Display 3-6.) At the undergraduate level, women surpassed men in 1990. Women now represent 54% of the domestic undergraduate student population. From 1980 to 1992, women increased by 8% at the graduate level. They now represent 50% of domestic students enrolled in graduate programs. The trend is similar at the professional level. Here, the gap between men and women students has been narrowing, from 31% women in 1980 to 45% women in 1993. Still, at the professional level, men outnumber their female counterparts.

Display 3-6: Enrollment of Women, 1980-93



The proportion of ethnic minority students (i.e., American Indian/Alaskan, African American, Chicano/Latino, and Asian American/Pacific Islanders) at all three levels also increased significantly from 1980 to 1993. In 1980 ethnic minorities comprised 20.3% of the undergraduate student body; in 1993 they comprised 34.1%. At the graduate level ethnic minority enrollment rose from 13.8% to 22.6%. At the professional level ethnic minority enrollment rose from 15.2% to 34.6%.

The early 1990s witnessed similar positive enrollment trends for ethnic minority students as a group. From 1990 to 1993, ethnic minority enrollment increased by 6.8% at the undergraduate level, 3.5% at the graduate level, and 7.9% at the professional school level.

While the enrollment of ethnic minority students increased significantly from 1980 to 1993, African American students grew the least in comparison to other racial/ethnic groups; at the graduate level (0.7%), and at the professional level (1.2%). African-American students actually declined at the undergraduate

level (0.8%) from 1980 to 1993, though from 1990 to 1993 their enrollment grew very modestly (0.4%).

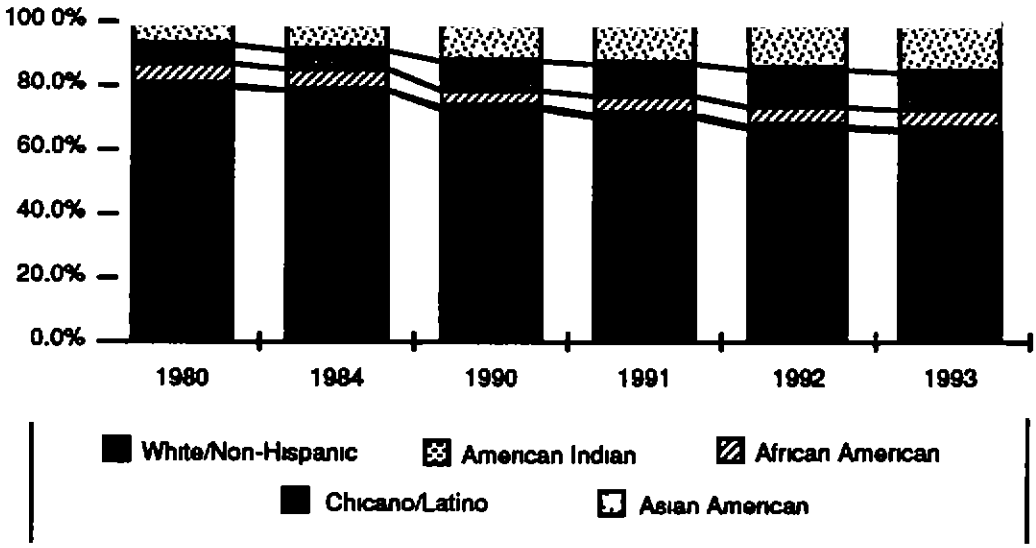
Asian American/Pacific Islander and Chicano/Latino student enrollment increased appreciably from 1980 to 1993. Asian American/Pacific Islander student enrollment increased by 8.2% at the undergraduate, 5.1% at the graduate, and 14.4% at the professional levels. Though the increase was not as significant for Chicano/Latino students, a noticeable increase of 6.1% was evident at the undergraduate level, followed by a 2.8% increase at the graduate level, and a 3.3% increase at the professional level. From 1990 to 1993, as a percent of total domestic undergraduate enrollment, Chicano/Latino undergraduate representation grew by 3.4%, from 9.0% to 12.4%.

While the overall data for Asian American/Pacific Islander students are very encouraging, Data are not available to determine the distribution of subgroups (e.g., Vietnamese American, Chinese American, and Cambodian students) within this larger group.

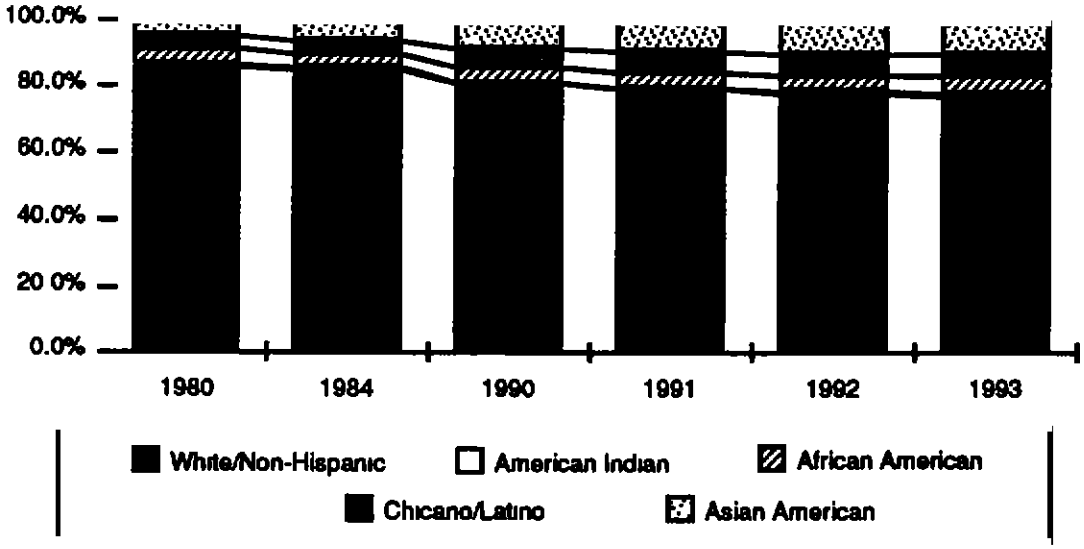
Similarly, while enrollment numbers for American Indians are up at all degree levels, their relative small percentage increases and representation in the state (less than 1%) are not statistically meaningful. However, even modest enrollment increases for American Indians are encouraging.

Display 3-7: Domestic Enrollment (%) by Ethnicity, 1980-93

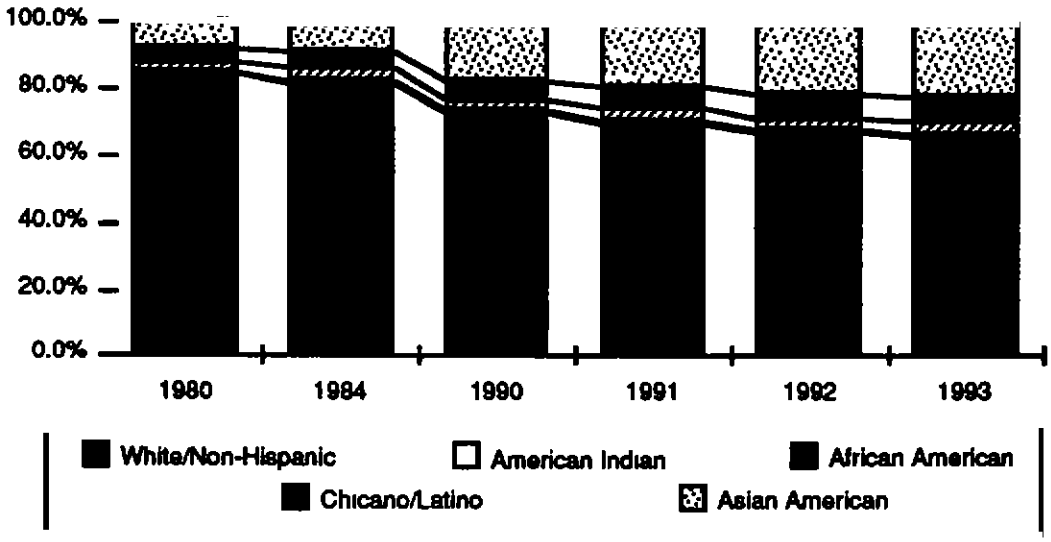
a. Undergraduate Domestic Enrollment by Ethnicity Over Time



b. Graduate Domestic Enrollment by Ethnicity Over Time



c. Professional Domestic Enrollment by Ethnicity Over Time



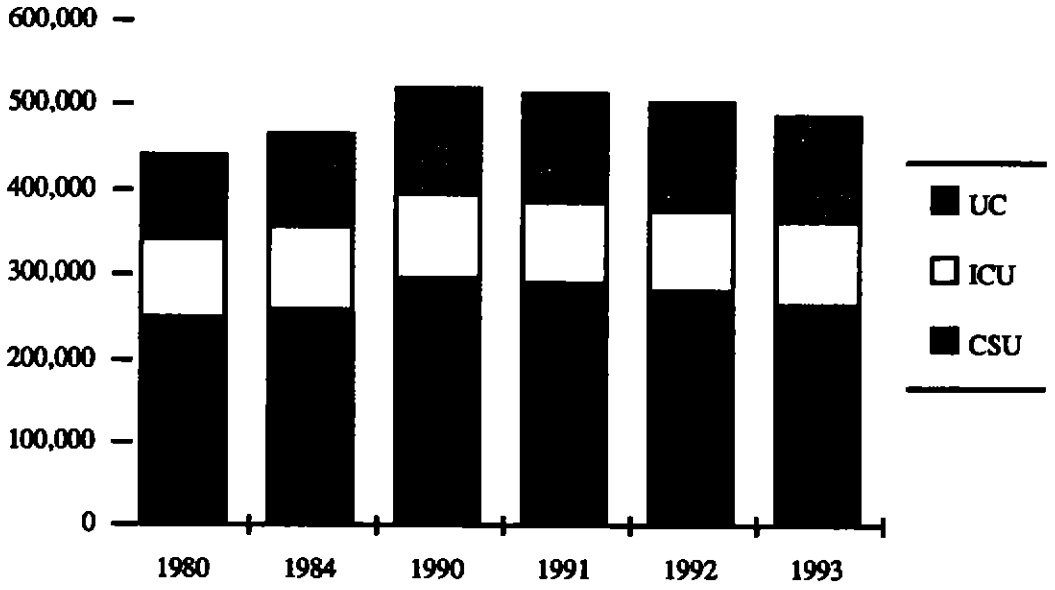
Enrollment Share

During the fourteen years from 1980 to 1993, when compared to the University of California and the California State University, independent college enrollment share has declined slightly at the undergraduate level while growing slightly at the graduate and professional levels. (See Display 3-8.) In 1980, undergraduates in the independent sector represented 21.7% of the

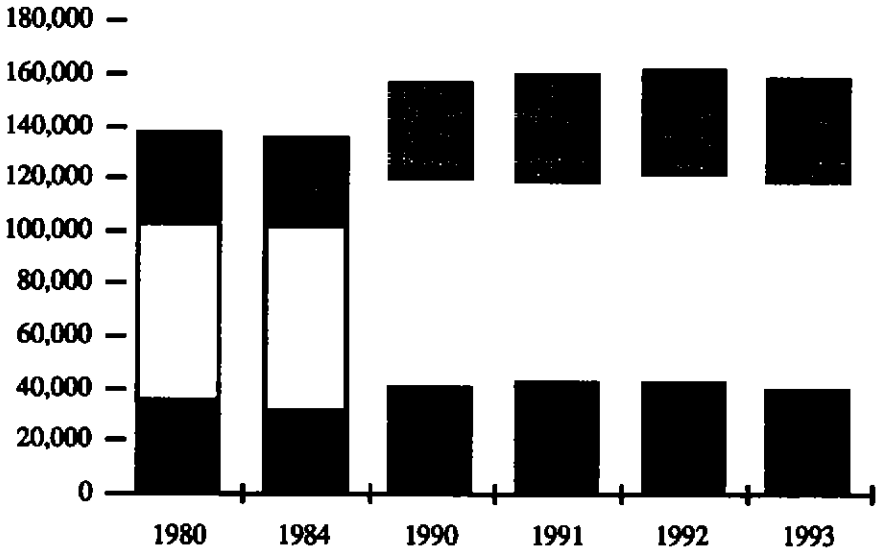
combined undergraduate enrollment for the three sectors. Fourteen years later they represented 21.0% of the undergraduate enrollment in the three sectors. Similarly, in 1980 independent college students represented 49.9% of the total graduate and professional enrollment in the three sectors. Fourteen years later, they accounted for 50.3% of the total graduate and professional enrollment.

Display 3-8: Enrollment Share, Fall 1980-1993

a. Undergraduate Enrollment Share Over Time



b. Graduate and Professional Enrollment Share Over Time



The policy response to these enrollment trends must be made with the following two concerns in mind. First, assuming that California understands the critical benefits that it receives from well developed public and independent sectors of higher education, the viability of the independent sector should continue to be a part of the equation. Second, the independent sector offers high proportions of total capacity at the graduate and professional levels. In order to maintain those contributions the sector must be able to remain competitive. That requires attention to the needs and contributions of the sector when planning for additional graduate capacity in public institutions. At the same time, the undergraduate portion of the enterprise should not be neglected.

Enrollment Capacity

The authorizing statute for this study suggests that two related questions be addressed. First, what is the available capacity for the sector? Second, at what price to the state can that capacity be realized? The remainder of this chapter will address these issues.

A 1993 enrollment capacity survey conducted by AICCU found that among thirty-nine campuses, there are approximately 20,000 spaces not utilized at present in the independent sector; 11,000 at the undergraduate level and 9,000 in the graduate and professional levels. In addition to this current unused capacity, planned enrollment growth projections suggest there will be another 20,000 spaces available in the year 2000. Obviously, by extrapolating to the total membership of the Association, the total capacity would increase by a significant but currently unknown number. Based on analysis from the last phase of growth (1960-1974) in the independent sector, if Cal Grant maximum awards have a closer relationship to a student's cost of attendance, the sector is likely to grow at a rate that is slightly higher than the underlying rate of growth in the high school graduation cohort. During the last period of growth, the independents held, or even slightly expanded, market share among four-year institutions in California. Growth in the independent sector ultimately saved the state costs that might have been necessary to accommodate the surge in enrollment growth at public institutions.

The responsiveness of the independent sector to assist in meeting future enrollment demands is contingent on a number of factors. Capacity is a dynamic concept. For example, if the relative price charged students in the public sector is very low and the level of student aid provided to students in the

independent sector is also low, the capacity may be less than projected. Likewise, if the maximum Cal Grant for all sectors were funded at very high levels and fees in the public sector were also very high, capacity in the independent sector might be significantly higher. The underlying policy of the existing Education Code (at § 66021.2) is based on an assumption that awards to students in the public sector should not exceed the cost of offering a space in this sector. The existing formula starts with the average CSU costs, based on the non-resident tuition methodology, and then adds the average of CSU and UC fees. The following section is designed to analyze alternative methodologies for establishing the optimal state policy for funding the maximum Cal Grant award for students at independent colleges. It is based on the broader higher education policy goals of the state.

Developing a Model for Estimating Costs of Utilization

A model for estimating the comparative costs of utilization between the public four-year institutions and the independent colleges requires judgments on two types of questions. First, what level of subsidy will optimize utilization of the available and projected capacity in the independent sector? Second, at what level of subsidy does it make sense to encourage utilization of the resource? There are also some underlying assumptions that need to be explored. For example, is the model for utilization based on a one year trend, or does it make some assumptions about rates of completion?

Question #1: What level of subsidy will optimize utilization of the available capacity in the independent sector? Modeling for subsidy is a well developed task. In the provision of a public good, where public and non-public providers exist in parallel, availability of the non-governmental alternative is a function of: 1) how the public alternative is priced or subsidized; 2) the price of the non-governmental alternative; and 3) the level of need-based subsidy provided to students who choose to attend the non-governmental alternative. Discount the price of any commodity to zero and the demand will jump significantly. Price the commodity at 200% of its natural price, especially if there is a heavily subsidized and similar good available, and demand for that product will drop to zero. Optimization requires an assessment of the underlying demand for the good, including the price that most consumers are able (and willing) to pay.

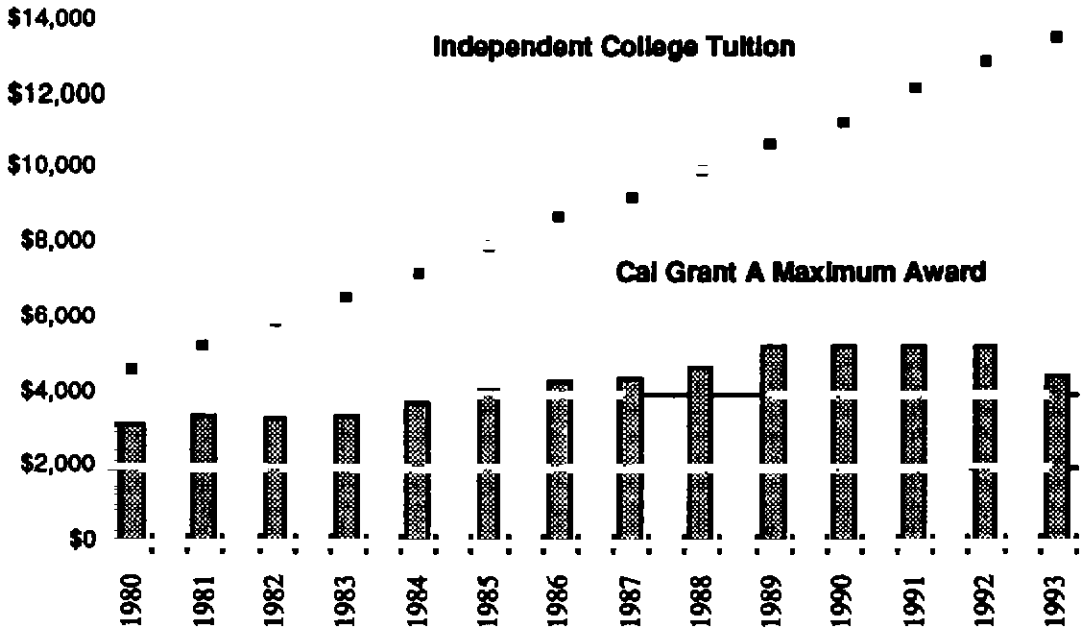
In the case of the independent sector, a number of indicators reveal that state policy has been less than optimal. Relative prices compare at least two commodities with similar properties. The relative prices between public and independent colleges are not a simple comparison of the posted price since both sectors discount from their posted price. Price discounts introduce the concept of net tuition. The chart below presents a short explanation of how net tuition is derived in the public and independent sectors.

Display 3-9: Charting the Relative Price of Public and Independent Colleges

Factor	Independent Colleges	Public Colleges	Comment
General Fund Subsidy	Not available	Provided directly to UC/CSU in institutional support	Independent Colleges do not receive direct support. The general public may be unaware of the indirect support at public colleges. This becomes a discount before the price is posted for public institutions.
Posted Price	Tuition Price	Tuition/Fees	Fees in the public sector have grown at a faster relative rate than independent colleges. In real dollar terms, independent college fees have grown more quickly
Less Cal Grant Subsidy	Provided through A&B Programs	Same	Maximum awards in UC and CSU have been growing faster in a relative sense than those at independent colleges.
Less Institutional Aid	Funded from operating budget and endowment resources	Funded from fee revenues, endowment and General Fund support	Both sectors have seen growth. In the independent sector a large portion of the funding comes directly from fee revenue
Net Tuition Price			The relative price compares the net tuition of each sector.

As noted previously, state policy affects independent colleges directly and indirectly. In the direct realm, the relative value of Cal Grants, in relation to independent college tuition has declined significantly over the last twenty years. Display 3-10 shows the value of the Cal Grant award in relation to independent college tuition.

Display 3-10: The Relative Value of Cal Grants in Relation to Independent College Tuition



Over the last twenty years, the percentage of Cal Grant A winners at independent colleges has declined from a consistent average above 40% to one consistently below 30%. One explanation for the decline could be that independent colleges are less attractive than they were twenty years ago, yet recent data on applicants to the sector suggests the opposite. A second trend that belies a possible decline in popularity would be the increased enrollment of non-Californians in the sector. During the past ten years, non-Californians have risen from approximately 32% of the domestic undergraduate population for the independent sector to 42%. Some of that change may be the result of institutional choices about appropriate enrollment mix. However, a significant part stems from the relative decline in the value of Cal Grants and the resultant increase in net tuition price to California students. Since the relative price of the independent alternative for out-of-state students has remained constant, their increasing attraction to the sector suggests continued viability of the independent option. Although the value of the Cal Grant in relation to independent college tuition is of high interest to independent colleges, it is less an item of interest to policy makers.

A second explanation for the decline in the percent of Cal Grant A winners at independent colleges, could be that the relative price of independent

institutions for California families, in relation to the public alternative, has increased. The declining current value of Cal Grants has exacerbated the difference in relative price, even at a time when public sector posted prices have been increasing in high percentage terms. Many indicators suggest that the second explanation is closest to the truth. Independent colleges have increased their level of institutionally funded student assistance, in part to fill in for lost state support. At the same time, even though public fees have risen in dramatic percentage terms, the net price to students has been mitigated by significant increases in state funded aid. For example, additions to the maximum Cal Grant have been provided to students at CSU and UC in each of the last several years. When the relative price of the public alternatives was held constant and spaces were available, the independents suffered a decline in enrollment (witness the period between 1985 and 1990). When public sector spaces became more constrained, students and families used both increased institutional assistance and heavy reliance on student loans to achieve access. In the two most serious years of crisis for public sector institutions, independent sector enrollments grew at a rate faster than the underlying cohort of high school graduates and transfer students.

Question #2: When is it optimal to utilize the independent sector? The second major subsidy policy question relates to relative costs of utilization between the public and independent sectors. There are a number of associated questions for this issue also. For example, what is the ratio of students who will require financial aid versus the number of students who will attend the sector?

In the public sector, the subsidy going to students includes two components. All students receive non need-based support in the form of fees that are below the cost of providing the space. In addition to the undifferentiated subsidy provided by low tuitions, some students receive need-based assistance to allow them to close the gap between resources and fees.

In the independent sector, the state cost is related to aid which only goes to students with demonstrated need. But, the subsidy issue cuts differently. If the sector is attractive to students who require the need-based subsidy, it will also attract students who do not require state funded aid. A recent CPEC report estimates that one quarter of the new students attracted to the sector will need Cal Grants. In essence, CPEC argues that for each Cal Grant award provided, three other students will attend the sector without subsidy. That assumption depends on the relative value of the award. If the maximum Cal Grant is so far

below the existing costs of attendance, then utilization of the awards will be below optimal levels and the ratio of students receiving a Cal Grant to those students attending without the subsidy will decline. That is exactly what has happened as the relative value of Cal Grants for students attending the independent sector has declined. For analytical purposes, the CPEC assumption of a 1:3 ratio of Cal Grant subsidized to unsubsidized students is defensible, assuming that the maximum award is closer to historic levels. However, at the current $5,250, which is less than 38% of average tuition, the ratio may be optimistic.

If the Cal Grant award is set at a level which would produce three non-subsidized students for each Cal Grant winner, then the net cost to the state for production of new spaces is one quarter of the total cost of the grant. If the relative value of the Cal Grant diminishes, the number of non-subsidized students will also decline. That phenomenon is a function of the net tuition price facing California students. The value of Cal Grants as a public policy tool to generate enrollments in the independent sector is directly connected to their value in relation to underlying tuition levels. In the public sector, the average cost of subsidy might look like this:

$$C_S = (GF+Cap) + SA$$

Where

C_S = Cost of subsidy
GF = General Fund support
Cap = Cost of facilities not paid by General Fund support
SA = Funded student aid

$$C_S = CG * \Delta U_i$$

Where

CG = Average Cal Grant to students in the independent sector
ΔU_i = Change in the number of students attending the independent sector

Since every student benefits from the subsidy and capital support, the macro number for support can be established by dividing total support by number of students enrolled. In the independent sector there is another formula for computing the cost of utilization:

An example might help explain the model for the independent sector.

- Assume that the average award to an independent college Cal Grant winner is $8,200 (the current level under the provisions of AB 4270).

- If the net change in the number of California students attending independent colleges with a Cal Grant is 5,000 but the number of Californians attending an independent college is 20,000, the net cost of subsidy is $1,640.

The model achieves two state goals simultaneously. First, it focuses state resources on needy students. Second, it creates more spaces for higher education opportunity. In the example above, the net cost of providing 20,000 additional opportunities would be considerably below any other available option, especially when one considers the additional costs of capital for public higher education spaces. (A more detailed view of this model is presented in Appendix 3: A Dynamic Approach to Projecting Changes in Independent Sector Enrollment.)

Conclusions - The model presented above offers the broad outlines of a way to analyze alternative state policies. If the state is serious about utilizing the independent sector for at least part of the projected growth, it will need to make careful assessments about the relative cost of providing spaces in each of the sectors. Many current calculations for the cost of providing spaces in the public sector ignore the costs of facilities. At the same time, the assessment of the costs of utilizing the independent sector ignores the additional unsubsidized California students who would enroll in the independent sector, as a result of an optimal Cal Grant maximum award. Both sides of the equation need to be balanced if a realistic assumption about costs is to be constructed.

State policy needs to assess the relative costs of utilization of the sector in ways that have not yet been done before. Over the last several years financial aid policy has been an after-thought to broader issues of higher education finance. By incorporating financial aid into the equation early on, policy makers can affect meaningful changes in both the public and independent sectors.

IV. Degrees

The ultimate objective for most four-year and above students in higher education is a degree. Thus, one way of looking at the health of the sector is to look at trends of degrees conferred.

During the past thirteen years, the number of degrees conferred in the independent sector has increased at all four levels: bachelor's, master's, first professional, and doctorate. This includes an additional 6,241 degrees or a 15.9% increase in degrees conferred over this period of time. More specifically, this includes an additional 2,563 bachelor's, 3,076 master's, 191 first professional, and 411 doctoral degrees conferred. The percentage increases in degrees conferred by level are as follows: bachelor's (13.7%), master's (20.8%), first professional (4.8%), and doctorate (23.9%).

In conformity with other sections of this report, degree production was analyzed over two extended periods. The first was during a general period (1980-81 to 1989-90) of modest enrollment growth in the public sector. The second was the four year period (1989-90 to 1992-93) in which public institutions were under significant fiscal stress as a result of the prolonged state budget crisis.

During the ten year period between 1980-81 to 1989-90, total degrees conferred increased in the independent sector by 13.9%. Within this period, the greatest percentage of growth occurred among bachelor's degrees where total degrees awarded increased by 3,219, or nearly 17.2%. This increase in bachelor's degrees awarded compared to a growth in FTE enrollment of 7%. This ten-year period was followed by 2,420 additional master's degrees conferred, accounting for a 16.4% increase. The increase in master's degrees awarded compared to a total increase in FTE graduate and professional enrollment of 26.1%. An overall degrees conferred increase of 7.4% was recorded at the doctoral level, in spite of a decline between 1980-81 and 1984-85. Interestingly, between 1980-81 and 1989-90, first professional degrees awarded declined by 7.9%, though they quietly rebounded in subsequent years from 1990-91 to 1992-93.

During the four years from 1989-90 to 1992-93, the percentage increase of total degrees awarded in the independent sector was a modest 1.8%. This slight increase was attributable to a decline of 656 or 3.0% fewer degrees at the bachelor's level. During these same four years, master's degrees increased by 3.8%. First professional degrees and doctorate degrees increased by 14.2% and 15.4% respectively. The decline in bachelor's degrees conferred during this period may have been due to decreasing part-time enrollment at the undergraduate level during the same period.

There is a seeming statistical contradiction between the longer (1980-81 to 1992-93) and shorter time frames (1989-90 to 1992-93). Over the long-term period there is real growth in the number of degrees granted, although in the more recent period there is evidence of a slight decline in the rate of increase. (See Appendix 6: Coordinate Display 4-1.) We suspect that the explanation for these differences can be attributed to two factors. In the long term, independent colleges have been successful in encouraging students to complete degree work more effectively than their public counterparts and more efficiently than earlier generations of independent college students. The slight decrease in the rate of degree productivity since 1989 may be a demonstration of increasing affordability problems. The data are not conclusive but the trends seem to be very strong.

Display 4-1: Degrees Awarded by Independent Institutions, 1980-93

Level	*Percent Change*		
	81 and 85	81 and 90	81 and 93
Bachelor's	7.1%	17.2%	13.7%
Master's	0.5%	16.4%	20.8%
First Professional	4.5%	-7.9%	4.8%
Doctorate	-5.3%	7.4%	23.9%
TOTAL	3.8%	13.9%	15.9%

A trend analysis of enrollment levels and degree production in the independent sector from 1984 to 1993 reveals that total headcount enrollment increased by 9,181 or 5.3% while the number of degrees conferred during the same period increased by 4,739 or 11.6%. While there is evidence of steady growth in both enrollment and degree production, the degree production rate is higher than the enrollment growth rate during the ten-year period. There are a number of possible explanations for the faster rate of growth in degrees

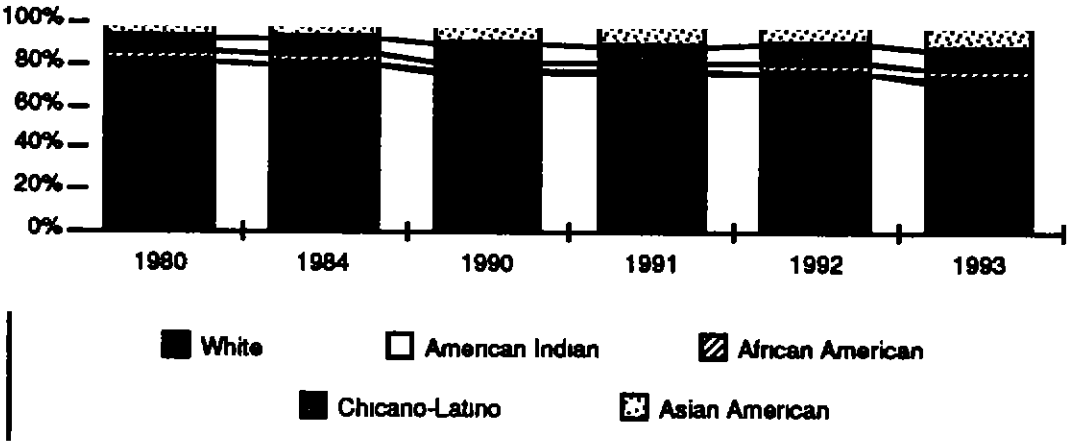
conferred. Curricular changes could have eased time to degree. Or students could have increased their course loads during the period. Such a phenomenon could have been caused by institutional changes or because students found it more economical to take a heavier course load.

Degrees by Ethnicity

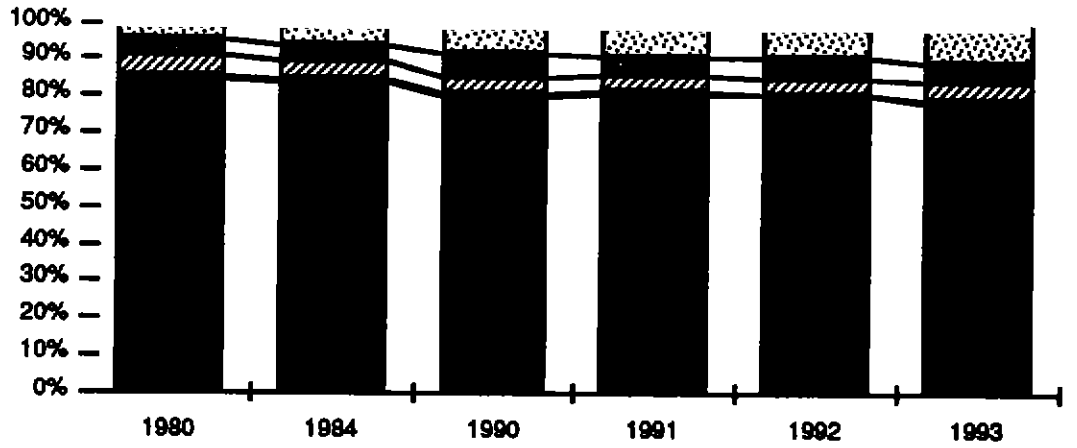
Parallel to enrollment trends, the number of degrees conferred between 1980-81 and 1992-93 also went up for Asian-American/Pacific Islanders and Chicano/Latino students. The number of bachelors degrees conferred upon Asian-American/Pacific Islanders increased by 5.0% and those conferred upon Chicano/Latino students increased by 3.4%. Though the number of master's degrees conferred upon African-Americans was down by 0.8%, there was a 1.1% increase in master's degrees conferred upon Chicano/Latinos and an increase of 5.3% for Asian-American/Pacific Islanders. First professional and doctoral degrees were up by 9.7% and 4.2% respectively for Asian-American/Pacific Islanders. Chicano/Latinos showed a 1.2% increase at the doctoral level and a 2.0% increase at the first professional level. African-Americans did not fare as well. They evidenced a 0.2% increase at the first professional level and a 1.7% decrease at the doctoral level.

Display 4-2: Domestic Degrees Awarded (%) by Ethnicity, 1980-93

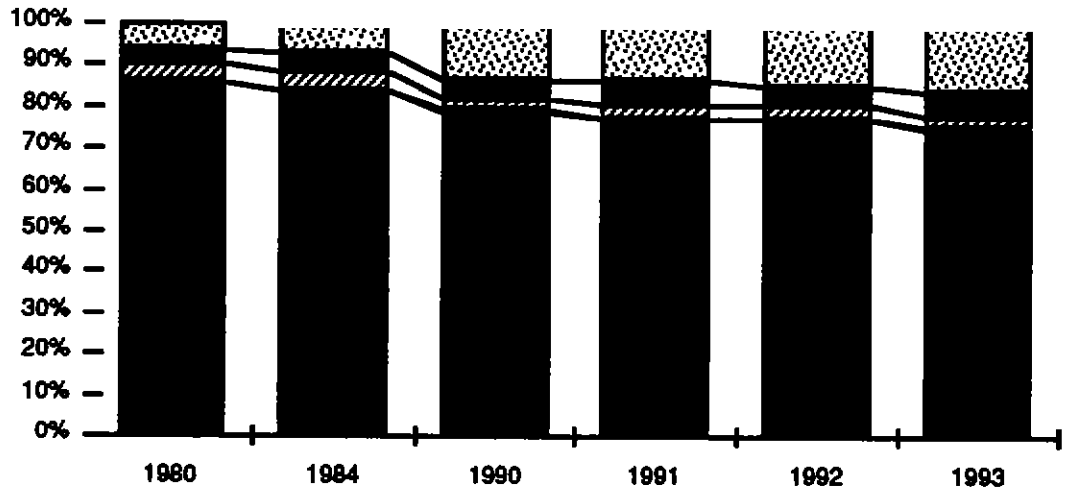
a. Baccalaureate Degrees by Ethnicity Over Time



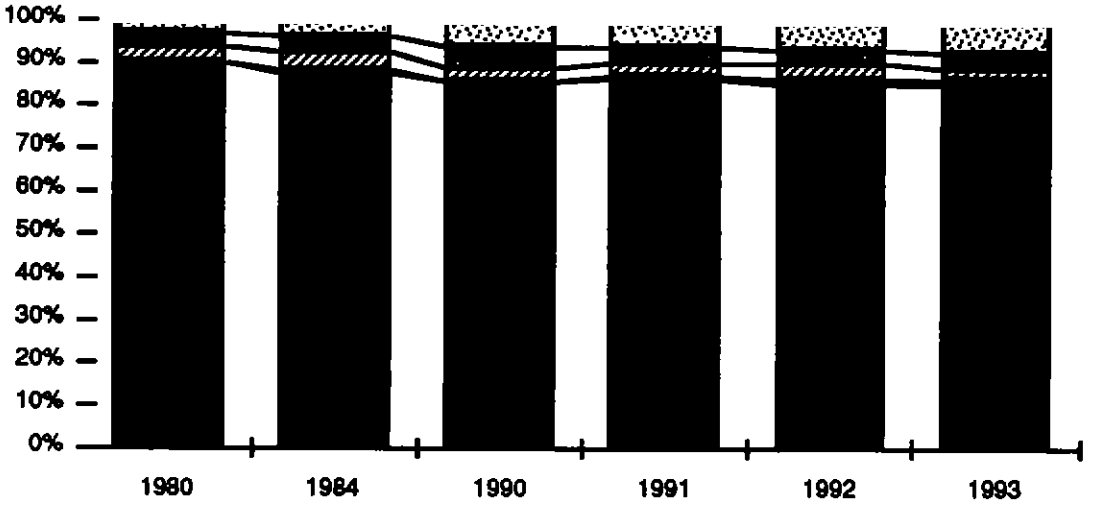
b. Master's Degrees by Ethnicity Over Time



c. First Professional Degrees by Ethnicity Over Time



d. Doctorates by Ethnicity Over Time



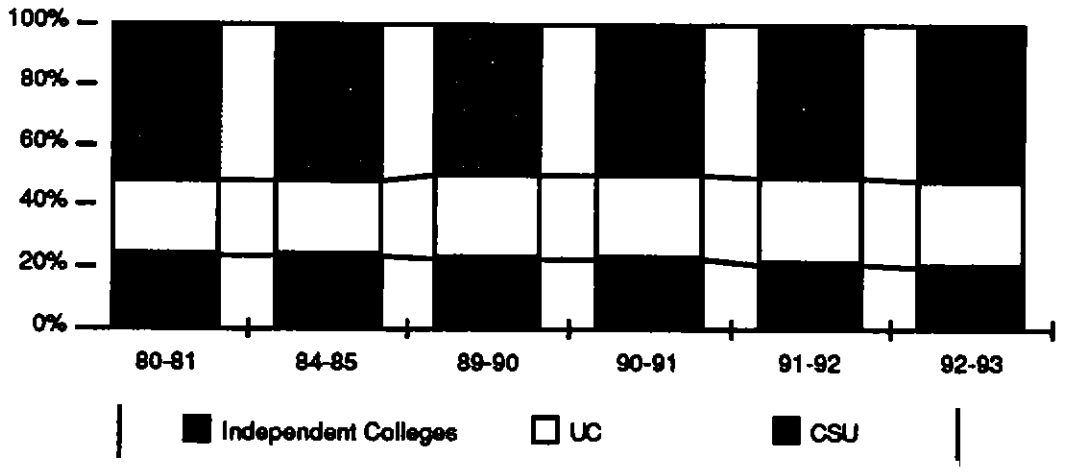
Degree Share

During the thirteen years from 1980-81 to 1992-93, total four-year and above degrees awarded by the independent sector increased by 15.9%, from 39,229 to 45,470. Yet, during this period, degrees awarded by the independent sector as a percent of total four-year and above degrees awarded in California decreased somewhat from 32.7% to 29.2%. During the ten years from 1980-90 to 1989-90, degrees awarded by the independent sector as a percent of total degrees remained essentially the same at 32.7% and 32.1%. Increased enrollments in the independent sector in the early 1990s had no significant impact on independent sector degree production as a percent of total degrees awarded. During the four years from 1989-90 to 1992-93, degrees awarded by the independent sector showed a slight decrease, from 32.1% in 1989-90 to 29.2% in 1992-93.

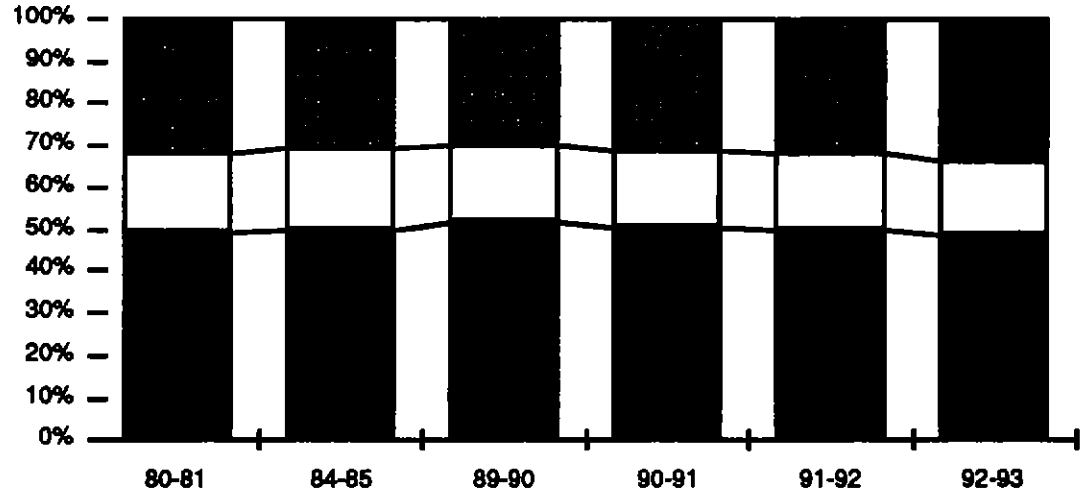
The data in this section suggest some counterintuitive conclusions about enrollments between the public and independent sectors. As fees have increased in the public four-year institutions, course loads have also increased. This result is not unexpected. As a commodity is priced more effectively its utilization will become more efficient. However, the increase in part-time enrollments in the independent sector suggests that the price in this sector may be causing students to reduce their educational loads in order to be able to continue their education. The degrees of change are small. Thus, it may be too early to discern a trend.

Display 4-3: Degree Share, 1980-93

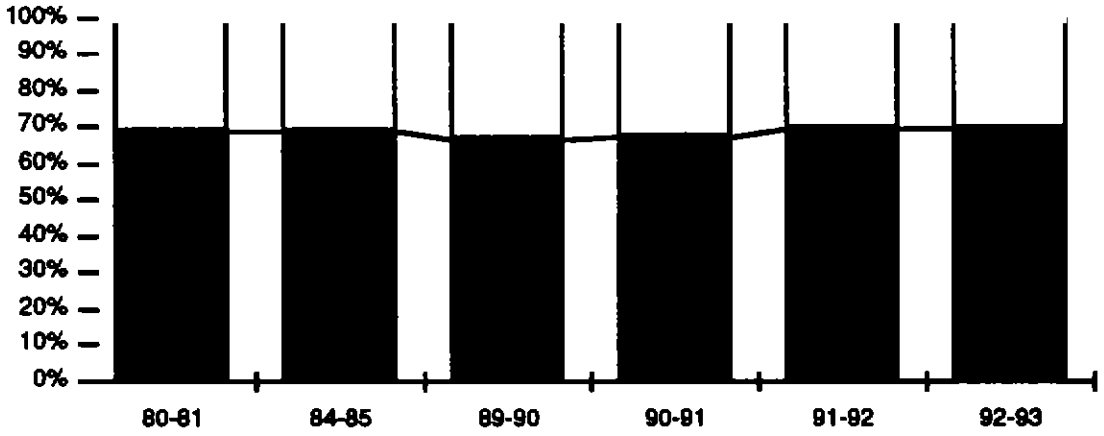
a. Baccalaureate Share Over Time



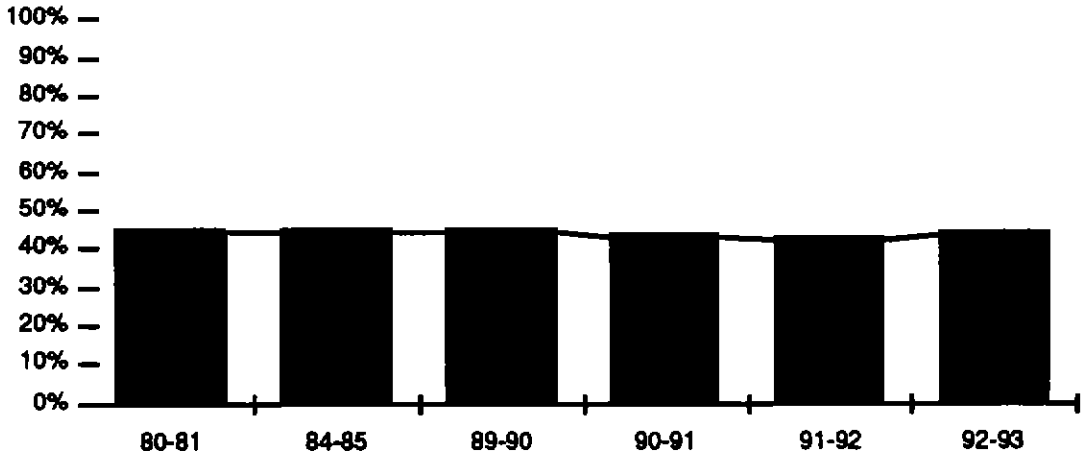
b. Master's Share Over Time



c. First Professional Share Over Time



d. Doctoral Share Over Time



When broken down by specific degrees, it is clear that a decrease in the share of bachelor's degrees produced by the independent sector as a percent of total bachelor's degrees is caused by production increasing faster in the public sector institutions rather than by an actual decline in independent college production. During the thirteen years from 1980-81 to 1992-93, the share of bachelor's degrees produced by the independent sector decreased from 23.3% to 19.7%. Apart from minor year-to-year fluctuations, the share of all other degrees produced by the independent sector remained essentially the same during this thirteen year period. Master's degrees produced by the independent sector consistently accounted for approximately 49% of total master's degrees produced, first professional degrees consistently accounted for approximately 69% and doctoral degrees for approximately 44%.

V. Financial Indicators

The previous two sections of the report suggest a mixed record over the last fourteen years. State policy seems to affect parts of the sector in differing intensities. Yet, the State's economic vicissitudes of the early 1990s have (to date) failed to significantly diminish the pattern of contribution offered by the sector. A close look at seven key indicators reveals both encouraging and discouraging trends for the major campus groups and subgroups. A description of the groups is presented in Appendix 2.

The financial ratios used in the report were selected for several reasons. First, in total they highlight changes in major expenditures and revenues. Second, they are standard analytical tools used in financial analysis documents including financial presentations for bond financing. They are also the key analytical tools presented in the seminal book, *Ratio Analysis in Higher Education* by Fredric Prager and Scott Hughes.

Where possible we have included data from the Moody's 1995 Higher Education Medians. Those ratios are for all independent institutions that have been rated by Moody's. Generally institutions that are rated by Moody's will be slightly stronger financially than a cross section of independent colleges nationally.

One other overarching development should be mentioned. New standards in the Financial Accounting Standards Board (FASB) will require independent colleges to include depreciation of their capital assets. At the same time, the Board will require the elimination of fund accounting. Both changes will alter future financial results in the sector. The Government Accounting Standards Board (GASB) has not implemented similar changes for public institutions. Future iterations of the report will require some norming to establish comparable data.

Based on the analysis of the ratios, four major trends emerged:

- While the entire independent sector experienced significant fiscal stress in the 1980s, in the early 1990s substantial progress was made to assure fiscal viability.

- While each AICCU group evidenced different strengths and challenges with respect to specific fiscal indicators, a clear pattern emerged highlighting the relative health of each group and the relative impact of state policies on each group.
- AICCU member institutions in Groups I and III demonstrated stronger financial health and were less likely than their peer groups to be dramatically affected by state policies that impact the independent sector. Institutions from these groups generate modest to sizable contributions from their endowment income. Endowment may offer part of the explanation for their relative immunity from the effects of negative state policies. However, the major research institutions may face an alternative problem that smaller, less endowed institutions never face. Research institutions must continually sustain their research enterprise.
- The remaining groups exhibit relatively more responsiveness to even minor changes in state policy. Those institutions have a smaller available contribution from endowment income. At the same time, they are faced with lower reliance on other sources of income including research support.

The discussion below provides specific insight into how the sector and each AICCU group measures up to specific fiscal indicators and how the above conclusions were reached.

#1: Net Revenue Ratio

Definition/Purpose:

Net Revenue Ratio measures the ability of an institution to manage expenditures as compared to revenues.

How computed:

Total Revenues - (Total Expenditures + Mandatory Transfers) + Total Revenues X 100

How to Interpret:

A positive and high ratio is considered an indicator of good fiscal health, although extremes in this ratio may indicate problems. A negative ratio or one that is close to neutral suggests that an institution

is operating close to the margin. Improving this ratio requires an institution to increase revenues and/or reduce expenditures and mandatory transfers. (The latter adjustments could include reductions in debt service transfers.) Since this indicator is a percentage relationship, it allows for comparisons from one year to the next, regardless of inflation or other financial vagaries. Relative health is not hard to interpret for this ratio. A ratio above 5% shows a vigorously healthy institution. A ratio below 1% suggests an institution operating very close to the margin. Ratios significantly above 5% may suggest an anomaly in the data, based on a one year change in resources.

Display 5-1: Net Revenue Ratio

70 AICCU MEMBERS

1980	1985	1990	1991	1992	1993
3.03%	3.01%	0 10%	0 89%	2 41%	2.63%

Moody's Median for Unrestricted Operating Margin*

1991	1992	1993
3 6%	3 2%	3.3%

* The definition for the Operating Margin only covers unrestricted funds. The percentage differences may be influenced by the relative weight given to restricted fund balances in independent college budgets.

Sectoral Analysis:

As the above table demonstrates, the buffer between revenues and expenditures decreased from 1980 to 1990. The trend was reversed the following three years. The 2.41% and 2.63% ratios evident in 1992 and 1993 are in a similar range as with net revenue ratios reported in previous reports for the late 1970s through the mid 1980s.

The dramatic recovery in the ratio for the sector from 1990 through the present bears some explanation. Concurrent with the recovery in the independent sector were significant challenges to the University of California and California State University. Both public sectors reduced their total enrollment during the period. While state funded student aid did not increase, institutionally funded aid kept the independent sector affordable. Many of the

independents also used the period between 1990 and 1993 for internal restructuring. Thus, the increases in enrollments may have not been coupled with parallel increases in other costs. Such changes would assure a quick recovery in the net revenue ratio.

Analysis by Group:

Similar to the overall sectoral analysis, three of the eight AICCU groups evidenced relatively healthy to very healthy net revenue ratios by 1993. (See Display 5-2.) Groups IIA and III evidenced steady and relatively high ratios from 1980 through 1993. Group I showed stable ratios. As research institutions with high on-going capital expenditures, the Group I margins are very close. Surprisingly, Group VI schools showed the highest ratios of all groups in the early 1990s.

It should be noted that the relative size of an institution will determine how vibrant changes in the ratio will be. While the financial demands of larger institutions are more complex, they also operate on a larger scale. Small net changes in enrollments in a larger institution are less likely to influence net revenue. In a smaller institution those changes will affect the ratio more directly.

Display 5-2: Net Revenue Ratio, by Group

	GROUP	1980	1985	1990	1991	1992	1993
I	*Doctoral Research Universities*	2.20%	2.47%	0.23%	1.06%	2.11%	1.50%
IIA	*Universities with 2,500 to 7,000 FTE*	5 75%	3.63%	0 85%	1.05%	4.72%	4.13%
IIB	*Colleges and Universities with 1,000 to 5,000 FTE*	2 93%	1.56%	-0 45%	-3.30%	0.67%	0 72%
III	*Liberal Arts Colleges with high level of endowment*	8.64%	11.39%	1 19%	1.75%	1.91%	1.86%
IVA	*Liberal Arts Colleges & Universities with 500 to 1,000 FTE*	4.39%	-0.35%	-6 99%	3.73%	0.81%	2 84%
IVB	*Small Liberal Arts Colleges/Universities with 300 to 1,000 FTE*	-0 45%	-0.52%	1 92%	-1.48%	2.39%	0 66%
V	*Specialized Institutions*	0.02%	3.38%	-0 83%	-4.44%	2.92%	3.80%
VI	*Professional Schools*	3 64%	0.34%	2 54%	3.45%	4.65%	4.81%

By 1993, Group IIB and Group IVB with ratios of .72% and .66% barely placed on the plus side of the ledger. Group IIB schools consistently had a problematic net revenue ratio in the early 1990s, unlike their collective experience in the 1980s. Group IVB schools demonstrated a more dramatic

upward and downward trend. The significant fluctuations in ratios of Groups IIB, IVA, and IVB are cause for concern. These fluctuations attest to the fact that normal budgetary planning assumptions in a volatile fiscal climate are almost impossible.

Net Revenue Ratio Summary:

Over the period of the study the sector seems to have been able to manage resources, although there have been significant periods of stress in several groups. With very modest positive net revenue ratios, Group IIB and IVB institutions present cause for concern in their ability to keep revenues above expenditures. Independent institutions nationally have also shown some pressure on this ratio.

#2: Educational and General Revenue Contribution Ratio

Definition/Purpose:

Educational and General Revenue Contribution Ratio provides another way to measure an institution's relationship between expenditures and revenues.

How computed:

Total Educational and General Revenues ÷

Total Educational and General Expenditures

How to Interpret:

A ratio less than 1.00 points to a precarious fiscal climate, meaning expenditures exceed revenues for the major functions of an institution. While negative ratios are not fatal, consistent negative ratios cannot be sustained. Annual decreases in the ratio, especially when it is below 1.00 point to financial deterioration in an institution.

Display 5-3: Education and General Revenue Contribution Ratio

70 AICCU MEMBERS

1980	1985	1990	1991	1992	1993
1 76	1.64	1.60	1.62	1.64	1 60

Sectoral Analysis:

Throughout the period 1980 through 1993, the entire independent sector maintained a relatively healthy and stable Education and General Revenue Contribution Ratio profile. Over this period of time, minor fluctuations occurred. Yet, in 1993, the ratio was only .16 less than it was in 1980.

Analysis by Group:

From 1980 to 1993, each of the eight AICCU groups, without exception, kept its Education and General Revenue Contribution Ratio above the 1.00 threshold. In most instances, the margin of stability was thin. All the groups, apart from Group I, showed ratios that were very close to 1.00. For example, in 1993 the ratio for Group VI was 1.06 and 1.09 for Group V. This latter group consistently showed the lowest ratio. Yet, in the past fourteen years, only the Group I institutions managed to reach 2.00. This occurred in 1991 and 1992. When compared to previous reports, as a rule, this ratio for each AICCU Group has been higher since 1980 than it was in the late 1970s.

Display 5-4: Education and General Revenue Contribution Ratio, by Group

	GROUP	1980	1985	1990	1991	1992	1993
I	*Doctoral Research Universities*	1 88	1 95	1 95	2 02	2 05	1.96
IIA	*Universities with 2,500 to 7,000 FTE*	1.72	1 23	1.14	1 14	1 17	1.18
IIB	*Colleges and Universities with 1,000 to 5,000 FTE*	1.22	1.18	1.13	1.09	1 11	1.11
III	*Liberal Arts Colleges with high level of endowment*	1.29	1 33	1.16	1.16	1 14	1.14
IVA	*Liberal Arts Colleges & Universities with 500 to 1,000 FTE*	1.50	1 32	1 13	1.20	1 19	1.21
IVB	*Small Liberal Arts Colleges/Universities with 300 to 1,000 FTE*	1.23	1.21	1.20	1.15	1 15	1.13
V	*Specialized Institutions*	1.05	1 09	1 05	1.01	1.07	1.09
VI	*Professional Schools*	1.25	1.14	1.12	1.11	1 25	1.06

Education and General Revenue Contribution Ratio Summary:

Similar to the overall trend for the Net Revenue Ratio, data for this ratio suggest that the independent sector is consistently able to match expenditures with revenues. With the exception of Group I, ratios for all groups have shown modest to significant declines over the period of the study. Several of the groups ended the period with a ratio very close to 1.00.

#3: Tuition and Fees Contribution Ratio

Definition/Purpose:

Tuition and Fees Contribution Ratio shows annual income from student tuition and fees as a percent of an institution's operational budget; that is, its total educational and general expenditures (minus auxiliary enterprises, independent operations, and capital outlay).

How computed:

Total Tuition and Fees Revenues +

Total Educational and General Expenditures

How to Interpret:

A decreasing trend in this ratio suggests that other sources of revenue (e.g., gifts and endowments) are growing and that an institution is less "tuition dependent." However, in some instances, a decreasing percentage over a planned period of time might be indicative of an institution's ability to increase tuition and fees to keep up with increased costs. Many analysts suggest that a contribution ratio above 75% is a cause for concern. It increases the necessity for institutions to maintain enrollment in order to maintain viability. However, like many other indicators in this study, there is a lot of room for interpretation. A new or developing institution, and many specialized institutions maintain ratios above 75% for a long period of time. Those that do, however, are constantly required to maximize enrollments.

Display 5-5: Tuition and Fees Contribution Ratio

70 AICCU MEMBERS

1980	1985	1990	1991	1992	1993
47 14%	51.03%	47.37%	50.46%	51 55%	51 87%

Moody's Tuition and Fees Contribution Ratio

1991	1992	1993
57.6%	59.5%	58.8%

Sectoral Analysis:

Previous reports have uniformly demonstrated that this indicator for the sector has shown annual decreases. In contrast, the main trend over the last fourteen years has been upward. While the Moody's median institutions start with a higher percentage than California institutions, the long term trend is not as pronounced. In particular, since 1990, the tuition and fees contribution ratio for California institutions has increased by 4.5%. When this increase is coupled with the continuous increase in institutionally funded student aid, the trend provides even more cause for concern.

Analysis by Group:

The AICCU group tuition and fees contribution ratios largely replicate the sectoral trend over the past fourteen years. From 1980 to 1990, only three of the groups (Group IIA, IVA, and VI) showed a decrease in this ratio. Still, in two cases (Groups IIA and VI), the declines left each group with a ratio above 75%. From 1990 to 1993, only Group IIB again showed a decrease in the ratio. However, of all the groups, only Group I institutions evidenced a modest ratio of approximately 31-32% during these four years. The ratio for Group I should be interpreted with caution compared to other groups for two reasons. As research institutions, the contribution of tuition and fees is expected to be lower as a result of the research and public service activities of these more complex institutions. Institutions with a higher research component generally have a lower dependency on tuition and fees but a heavier reliance on indirect cost support. Those institutions are also generally more capital intensive than an institution focused on teaching activities.

Display 5-6: Tuition & Fees Contribution Ratio, by Group

	GROUP	1980	1985	1990	1991	1992	1993
I	*Doctoral Research Universities*	28 68%	32.90%	30.12%	31 85%	31.83%	31.75%
IIA	*Universities with 2,500 to 7,000 FTE*	80.73%	78.95%	72.91%	77.34%	78.90%	80.71%
IIB	*Colleges and Universities with 1,000 to 5,000 FTE*	73.68%	79.83%	78.76%	76.84%	80.22%	76.90%
III	*Liberal Arts Colleges with high level of endowment*	57 93%	59.74%	58.33%	60.25%	61 63%	62.89%
IVA	*Liberal Arts Colleges & Universities with 500 to 1,000 FTE*	86.25%	74.62%	67.74%	70.47%	75.04%	78.72%
IVB	*Small Liberal Arts Colleges/Universities with 300 to 1,000 FTE*	53.63%	52 63%	59.44%	58.23%	61 46%	63.13%
V	*Specialized Institutions*	75.14%	79.18%	77.66%	67.41%	80 31%	78 75%
VI	*Professional Schools*	83 91%	82.65%	78.43%	82.26%	79.27%	82 70%

Tuition and Fees Contribution Ratio Summary:

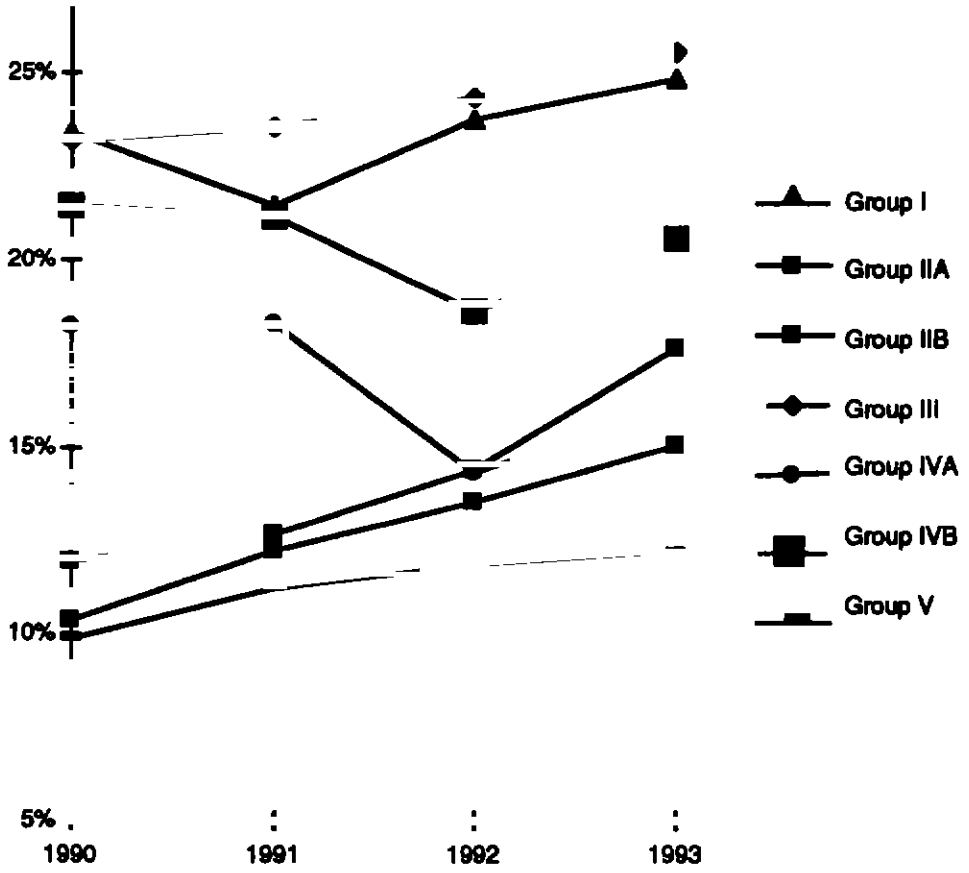
Both sectoral and group analysis strongly suggest that the independent sector, with the exception of Group I institutions, has become more tuition dependent in the 1990s. In general, this is a troublesome trend.

The Importance of Net Tuition—Net tuition is a subset of the tuition and fee contribution ratio. It is often calculated on a per student basis. Net tuition is calculated after institutionally funded student aid is deducted from total tuition revenues. Another way to look at the same question is to calculate the ratio of total institutionally funded student aid to total tuition revenues. Again, this figure is often reduced to an FTE calculation. Some commentators suggest that this ratio should only include unrestricted institutional aid. The rationale for excluding student aid funded from restricted endowments is simple. Institutionally funded aid from unrestricted sources is a true discount since spending from restricted funds is mandated by the terms of the endowment.

In this report we have chosen to report total institutional aid figures, including restricted and unrestricted funds. Over the last decade, the significant growth of institutionally funded aid has come primarily from unrestricted funds. Restricted funds for student aid have been relatively constant, especially in relation to total tuition revenue. Thus, most of the trendline has been influenced by unrestricted funds.

Display 5-7 presents the percentage of institutionally funded student aid by group as a function of tuition revenues for the latter years of this study (1990,1991,1992,1993). The chart suggests that institutionally funded aid absorbs an increasing share of tuition revenues.

Display 5-7: Institutionally Funded Aid as a Percentage of Tuition Revenues



There are two aspects of this ratio to consider. The first is the percentage of contribution. There is a special issue for Group III institutions which generate some of their institutionally funded grant assistance from restricted funds. Therefore, their actual relationship to tuition revenue may not be as critical. At the same time, the pressures on selective liberal arts colleges to maintain diversity and to attract highly qualified students are intense. The second issue is the trendline itself. The general slope of these ratios is increasing. At some point, commitments from unrestricted revenues to student aid will reduce available resources for other institutional purposes. Many institutions argue that a ratio above 20%, one dollar in five of tuition revenues, is an unsustainable level of assistance. There is some anecdotal information that the slope began to fall in the 1994-95 admissions cycle. Several institutions have constructed budget models that explicitly limit use on unrestricted funds for this reason.

For purposes of this discussion data from Group VI have been omitted intentionally. Group VI institutions contribute modestly to institutionally funded student aid. That fact may be attributable to the type of student who attends a specialized institution. Additionally, many of the institutions in this group are small and developing institutions.

#4: Institutional Financial Aid as a Percent of Educational and General Expenditures

A slightly different measure of tuition discount applies institutionally funded student aid to Educational and General (E&G) Expenditures. The trendline in this ratio is similar to the trend on tuition revenue.

Definition/Purpose:

Institutional Financial Aid as a Percent of Education and General Expenditures demonstrates how much of the annual operating budget is dedicated towards meeting financial aid needs of an institution's students.

How computed:

Total Institutional Financial Aid ÷

Total Educational and General Expenditures

How to Interpret:

Annual increases in an institution's commitment to financial aid are indicative of both a positive and negative trend. On the one hand, increases reflect an institution's growing commitment to assuring that a broad range of students will be able to choose an independent college. However, as has been noticed in several journal discussions on the issue, sharp increases in institutionally funded student aid might show a need to discount price to maintain enrollments. As shown below, such increases also may reflect a transfer of funds from other needed areas of an institution's operating budget in order to maintain enrollments. Such increases also reflect a response to the State's decreasing financial aid commitment to deserving independent college students.

Display 5-8: Institutional Financial Aid as a Percent of Educational & General Expenditures

70 AICCU MEMBERS

	1990	1991	1992	1993
	9.2%	10.2%	11.4%	11.7%
Dollar Amounts: (in millions)	$233	$282	$319	$367

Moody's Medians for Institutionally Funded Aid*

1991	1992	1993
13.4%	14.3%	15.1%

*The Moody's figures are calculated as a percentage of Total Current Fund Expenditures. Thus, the number is slightly different from the AICCU institutions' calculation.

Sectoral Analysis:

For each of the three years since 1990, there have been increases of institutional financial aid as a percent of educational and general expenditures for the independent sector. Those changes are greater than the percentage change in tuition revenue over the same period. They are also increasing at a faster rate than the Moody's comparison institutions. While in 1990, California independent colleges and universities allocated $233 million of their own resources to financial aid, by 1992 this figure had increased by $86 million and by an additional $48 million in 1993. Thus, by 1993, institutional financial aid in the independent sector had reached $367 million.

Analysis by Group:

From 1990 to 1993, all of the AICCU groups, with the exception of Groups IVA and VI, showed dramatic increases in the percent (and dollar amounts) of their operating budgets that they dedicated for institutional financial aid. During these years, the lowest percentage of the operating budget dedicated for institutional financial aid was 7.6%; the highest was 17.6%. Even though Group IVA's percentage decreased from 1990 to 1993, by 1993 institutional aid was still 9.2% of the group's combined operating budget. Only Group VI appears to have decreased its commitment to financial aid. Again, that may be a function of the type of student that attends these specialized institutions.

Institutional Financial Aid as a Percent of Education and General Expenditures Summary:

Clearly, both at the sectoral level and the group level, AICCU institutions with undergraduate students are dramatically increasing their institutional commitment to financial aid. The problem is evident in institutions nationwide. However, the rate of increase in California independents is especially troubling. The rate of growth may be partially a function of the depth of the recession in California, and its concurrent pressure on family ability to pay.

#5: Gifts and Grants Ratio

Definition/Purpose:

Gifts and Grants Ratio shows the revenues from gifts and grants (including income from endowment and other long-term accounts as they become available for current expenditures) as a percent of an institution's educational and general expenditures. It shows the level at which gifts and grants pay for educational and general expenditures.

How computed:

Total Gifts and Grants Revenues +

Total Educational and General Expenditures

How to Interpret:

It is expected that this ratio will at least stay constant or preferably increase over time. However, a short-term decrease is not necessarily a negative indicator, as long as there is a reciprocal increase (and vice versa) with the tuition and fees contribution ratio. The logic here is that if an institution is becoming too tuition dependent, increased gifts and grants will help ease the tension, thereby lowering the tuition and fees contribution ratio.

A note of caution should be sounded in relation to all ratios that rely on a denominator of Educational and General Expenditures. If E&G Expenditures are rising more rapidly than revenues, then reliance on gifts and grants for example, will fall. Changes in E&G Expenditures can be related to a number of factors that have little relationship to the underlying numerator.

A second note of caution should be sounded in relation to wide gifts and grants ratio fluctuations within a specific group. A large increase for one of the

years in one of the groups may simply be the conclusion of a fund campaign by one or more institutions in that group.

Display 5-9: Gifts and Grants Ratio

70 AICCU MEMBERS

1980	1985	1990	1991	1992	1993
11.38%	12.09%	12.80%	11 25%	10 95%	10.30%

Moody's Medians for Gifts and Grants*

1991	1992	1993
6.1%	6 7%	6.8%

*The Moody's Medians are calculated as a percentage of Total Current Fund Revenue
The trend is more important for comparison than are the actual numbers.

Sectoral Analysis:

Previous reports have shown relative constant annual trends for the gifts and grants ratio. This pattern essentially held true from 1980 through 1990. However, from 1990-1993 a subtle but clear downward trend emerged. At the same time, at least as it relates to Moody's comparison institutions, the trend nationally was upward. Coupled with increased dependency on tuition, this trend suggests increasing difficulty in attracting an appropriate mix of resources for California institutions. An increasing reliance on one source of revenue suggests future problems if that source, for whatever reason, declines.

There is some evidence that gift and grant funds are increasingly being used for current operating expenses, including funding of institutional student aid. The data are impossible to disaggregate, but anecdotal information suggests the trend. To the extent that gifts and grants revenues substitute for other operating sources of income, the demand to produce gift results becomes even stronger.

Analysis by Group:

An interesting phenomenon occurs when the gifts and grants ratio is measured during the five-year intervals from 1980 to 1990 and then compared to the annual intervals from 1990 to 1993. During the years from 1980 to 1990, three AICCU groups, Group I, Group IIA, and Group VI showed gifts and

grants percentage increases. However, during the four years from 1990 to 1993, Group I and IIA experienced a decreasing trend in the gifts and grants contribution ratio. Group VI only began to reverse this trend in 1993. With the exception of Group IIB, all AICCU groups had a decreased gifts and grants contribution ratio in 1993 when compared to 1990. In smaller institutions significant changes in the ratio might be caused by changes in other income sources.

Display 5-10: Gifts and Grants Ratio, by Group

	GROUP	1980	1985	1990	1991	1992	1993
I	*Doctoral Research Universities*	11.38%	13.13%	14.30%	13.05%	13.27%	12.10%
IIA	*Universities with 2,500 to 7,000 FTE*	10.41%	5.37%	10 81%	7.85%	6.23%	7.16%
IIB	*Colleges and Universities with 1,000 to 5,000 FTE*	14.31%	9.98%	5.89%	5.59%	6.21%	6.40%
III	*Liberal Arts Colleges with high level of endorsement*	22.56%	27.05%	15 82%	14.58%	12.69%	11.70%
IVA	*Liberal Arts Colleges & Universities with 1,000 FTE*	11.65%	10.83%	9.09%	9.21%	10.76%	8.41%
IVB	*Small Liberal Arts Colleges/ Universities with 300 to 1,000 FTE*	25.88%	19 14%	21.21%	18.06%	16 06%	14.13%
V	*Specialized Institutions*	9 11%	8.40%	7.52%	9 48%	8.26%	6.77%
VI	*Professional Schools*	2.46%	2.61%	4.47%	3.67%	1.57%	2.79%

Gifts and Grants Contribution Ratio Summary:

Both sectoral and AICCU group trend analyses show that during the tough fiscal climate of the early 1990s, fundraising efforts have suffered modestly. In light of the depth of the recession in California, that actually might be a good sign. If the decline in the gifts and grants ratio was caused by the recession, the ratio should be expected to recover as the economy of the state recovers. If the decline is based on longer term competition for charitable donations or because the tuition ratio is growing more rapidly than other sources of income, then the trend is especially troubling. The ratio hints at long-term problems for the sector but those signs will not be confirmed until the recovery in the state is more vigorous.

#6: Instructional Costs Ratio

Definition/Purpose:

Instructional Costs Ratio shows the amount an institution dedicates annually for direct instructional expenditures as a percent of total educational and general expenditures.

How computed:

Total Instructional Costs +

Total Educational and General Expenditures

How to Interpret:

While previous reports have suggested that a percentage decrease over time has a direct impact on the "ability of an institution to maintain current levels of quality in educational programs,"[4] recent dialogue on educational outcomes also suggests that some of the decrease could be attributable to changes in expenditure patterns such as funding the costs of regulatory compliance. Thus, decreases in the instructional cost ratio do not necessarily mean a diminution of educational quality. However, since the *raison d'être* for institutions of higher learning is to pass on knowledge from faculty to students, logic dictates that it is probably not desirable to see a decrease in the instructional costs ratio.

Display 5-11: Instructional Costs Ratio

70 AICCU MEMBERS

1980	1985	1990	1991	1992	1993
36.54%	35.32%	30 79%	32 20%	32 75%	32 16%

Moody's Medians for Instructional Cost*

1991	1992	1993
27 8%	27.7%	27.6%

* This ratio is calculated as a percentage of Total Current Fund Expenditures. The trend line is more important than the actual numbers.

[4] 1982 Financial Condition Report, p.13.

Sectoral Analysis:

Previous reports have shown annual decreases in instructional costs as a percent of total education and general expenditures for the sector. Our long-term findings generally confirm this trend. In particular, during the period between 1985 and 1990, the entire sector witnessed a sizable decrease in this ratio. Especially critical were declines in Group IV institutions. While there has been some recovery in each of the groups since 1990, the ratios have not recovered to previous historic levels. As with several other ratios, the long term trends in California seem to be accelerated over this period for the institutions in Moody's sample.

Analysis by Group:

During the period from 1980 to 1990, all eight AICCU groups evidenced a decline in instructional costs as a percent of total Education and General Expenditures. From 1990 to 1993, all of the groups with the exception of IIB and IVB began to evidence very modest increases in their instructional costs ratios. The increases are too modest to conclude that a notable trend has emerged.

Display 5-12: Instructional Costs Ratio, by Group

	GROUP	1980	1985	1990	1991	1992	1993
I	*Doctoral Research Universities*	34.14%	34.06%	29.86%	30.80%	30.86%	29.90%
IIA	*Universities with 2,500 to 7,000 FTE*	39.90%	38.81%	32.11%	36.16%	37.23%	37.38%
IIB	*Colleges and Universities with 1,000 to 5,000 FTE*	46.84%	42.99%	36.17%	35.51%	36.60%	35.61%
III	*Liberal Arts Colleges with high level of endorsement*	37.20%	32.57%	29.52%	29.92%	30.12%	30.71%
IVA	*Liberal Arts Colleges & Universities with 500 to 1,000 FTE*	38.56%	31.69%	30.69%	31.04%	32.54%	32.71%
IVB	*Small Liberal Arts Colleges/ Universities with 300 to 1,000 FTE*	28.55%	23.69%	25.28%	26.04%	24.48%	24.44%
V	*Specialized Institutions*	38.99%	36.77%	34.74%	34.01%	36.47%	35.94%
VI	*Professional Schools*	40.20%	36.37%	33.85%	33.87%	42.90%	36.01%

Instructional Costs Ratio Summary:

After a decade of decreasing instructional cost ratios, data for the 1990s are beginning to look a bit more positive. However they are inconclusive as to whether the independent sector has begun to draw the line against an erosion of its financial commitment to instructional costs.

#7: Percent Change in Educational and General Expenditures per FTE Student

Definition:

Educational and General Expenditures per FTE Student registers the average dollar amount of educational and general expenditures directed towards each FTE student at an institution. This ratio is controlled into constant dollars (1992 base) and also controlled for enrollment.

How computed:

Total Educational and General Expenditures ÷

Number of FTE Students

How to Interpret:

Ideally, this indicator should show modest annual growth. Annual decreases point to financial deterioration as a consequence of inflation or enrollment growth unaccompanied by budgetary growth.

Display 5-13: Educational and General Expenditures Per FTE Student

(Constant Dollars, 1992)

70 AICCU MEMBERS

	1980	1985	1990	1991	1992	1993
	$16,401	$19,086	$24,326	$25,016	$25,140	$25,941
*% Change from Previous Period**	—	*16%*	*27%*	*3%*	*0%*	*3%*

*Percentage change indicators are annualized only for the periods between 1990 and 1993. The previous indicators reflect the total change over five years.

Sectoral Analysis:

From 1980 to 1990, Education and General Expenditures per FTE student grew by 27%, or on the average 2.45% each year. That is smaller than the rate of growth in tuition. For each of the years 1991, 1992, and 1993 the changes in education and general expenditures per FTE student ranged from substantially less than 1% to 3%. The 1991 and 1993 percentage growth mirrors inflation (approximately 3%) for the early nineties. It remains to be seen if the less than 1% growth in 1992 is an anomaly.

Display 5-14: Educational and General Expenditures per FTE Student, by Group

	GROUP	1980	1985	1990	1991	1992	1993
I	*Doctoral Research Universities*	$35,246	$38,612	$51,264	$50,119	$49,763	$50,475
	% Change		*10%*	*33%*	*-2%*	*-1%*	*1%*
IIA	*Universities with 2,500 to 7,000 FTE*	$9,045	$11,698	$13,838	$15,485	$16,655	$16,097
	% Change		*29%*	*18%*	*12%*	*8%*	*-3%*
IIB	*Universities with 1,000 to 5,000 FTE*	$7,865	$8,380	$10,882	$13,633	$12,999	$14,611
	% Change		*7%*	*30%*	*25%*	*-5%*	*12%*
III	*Liberal Arts College with high endowment*	$15,212	$17,612	$21,847	$20,926	$20,050	$21,865
	% Change		*16%*	*24%*	*-4%*	*-4%*	*9%*
IVA	*Liberal Arts Colleges & Universities*	$7,291	$10,398	$14,445	$14,382	$12,982	$13,602
	% Change		*43%*	*39%*	*0%*	*-10%*	*5%*
IVB	*Small Liberal Arts Colleges/ Universities*	$7,999	$9,910	$11,592	$12,712	$13,499	$12,905
	% Change		*24%*	*17%*	*10%*	*6%*	*-4%*
V	*Specialized Institutions*	$8,595	$11,209	$15,753	$18,902	$18,556	$21,400
	% Change		*30%*	*41%*	*20%*	*-2%*	*15%*
VI	*Professional Schools*	$9,847	$11,569	$14,361	$13,793	$14,232	$15,238
	% Change		*17%*	*24%*	*-4%*	*3%*	*7%*

Analysis by Group:

From 1980 to 1990, seven of the eight AICCU groups showed healthy increases in Education and General Expenditures per FTE student. The increases ranged from 17% to 41%. While four groups showed decreases from 1991-1992, from 1992 - 1993 six of the eight groups showed increases. Group IIA and Group IVB both showed a decrease. The remaining six groups (I, IIB, III, IVA, V, and VI) ranged from modest increases of 4% – slightly above inflation – to very comfortable increases up to 15%. Shifts among E&G Expenditure spending categories will shift the attractiveness of an institution in the sector. The underlying data suggest that over the period of the study, resources have been diverted into coping with items such as regulation at the ultimate expense of the educational program. Such a trend is not sustainable, if the diversion from the central purpose of the institution continues.

Educational and General Expenditures Per FTE Summary:

From 1980 to 1990, the percent of Educational and General Expenditures per FTE Student in the independent sector demonstrated positive annual growth to varying degrees. From 1990 to 1993, it appears that the sector essentially was able to keep Educational and General Expenditures current with inflation. However, based upon their decreasing ratio from 1992 to 1993, Groups IIA and IVB merit attention.

Conclusions - The financial condition of the independent sector can be divided into two distinct time periods. Financial results seem to parallel enrollment and degree trends. The first period, 1985 to 1990 evidences significant indicators of stress. The second period, 1990-1993, offers some recovery for several ratios.

The long-term trends still raise some considerable reasons for concern. Institutions at the start of the period under study had considerably greater flexibility in the management and direction of resources. The independent sector has been able to offer Californians significant opportunities, in part, because of its ability to respond dynamically. If the negative trends continue, the sector will be less capable of meeting even its traditional share of enrollment in a period when enrollments in California institutions are expected to increase by more than 450,000 students.

VI. The Role of Institutional and Governmental Student Aid

The Cal Grant Program

Since 1956, California has exhibited its financial aid commitment for deserving students through its Cal Grant programs. When originally developed, the Cal Grant A program was primarily intended for independent college students and was explicitly designed to meet one hundred percent (100%) of their tuition and fees costs. The one hundred percent goal was essentially realized for independent college students during the Cal Grant A program's first twenty years of existence. Since the mid-1970s, a gap between independent college tuition and maximum Cal Grant A awards has grown unabated annually. (See Display 6-1.) As recent as 1980, maximum Cal Grant A awards represented 69.4% of tuition. By 1990 the maximum represented less than half (46.6%) of tuition. Three years later in 1993, the maximum had dropped to a mere 32.9% of tuition. The static six year funded level of the maximum Cal Grant award to independent college students has made the awards less effective in encouraging students to attend an independent college.

Display 6-1: Cal Grant A Maximum Awards as a Percent of Tuition

1980	1985	1990	1991	1992	1993
69.4%	52.0%	46.6%	43.2%	40.7%	32.9%

Similarly, throughout its recent history, the percentage share of Cal Grant A awards received by independent college students as compared to public college students has decreased annually. While in 1980, independent colleges students received 43.7% of the total Cal Grant A awards, by 1992 they only received 27.8% of the awards. There has been no rational policy shift to accompany this downward trend.

Display 6-2: Percent of Cal Grant A's Awarded to Independent College Students

1980	1985	1990	1991	1992	1993
43.7%	33.5%	30.5%	30.0%	27.8%	27.9%

The long-term annual decrease in the maximum Cal Grant A award, and the decreasing percentage of Cal Grant A awards actually received by independent college students, provide two major reasons why independent colleges and universities have had to augment their institutional financial aid allocations at the expense of other budgetary needs.

Federal Financial Aid Programs

Similar to state aid programs, federal financial aid programs traditionally have been another important source of assistance to independent college students. In particular these programs have included the need-based Pell Grant and various loan programs. Contrary to the Cal Grant program, total (non-loan) federal financial aid to independent colleges students in California has increased significantly in recent years. From 1990 to 1993 federal financial aid to independent college students increased by $25 million.

Display 6-3: Total Federal Financial Aid to Independent College Students

70 AICCU MEMBERS

	1990	1991	1992	1993
Total Federal Aid (in millions)	$59	$65	$73	$84

However, during the same years, federal financial aid as a percent of total aid granted to independent college students remained essentially constant. In 1990 federal aid accounted for 16.7% of total aid granted to independent college students in California. By 1993 it accounted for 16.4%.

Display 6-4: Federal Financial Aid as a Percent of Total Institutional Aid

70 AICCU MEMBERS

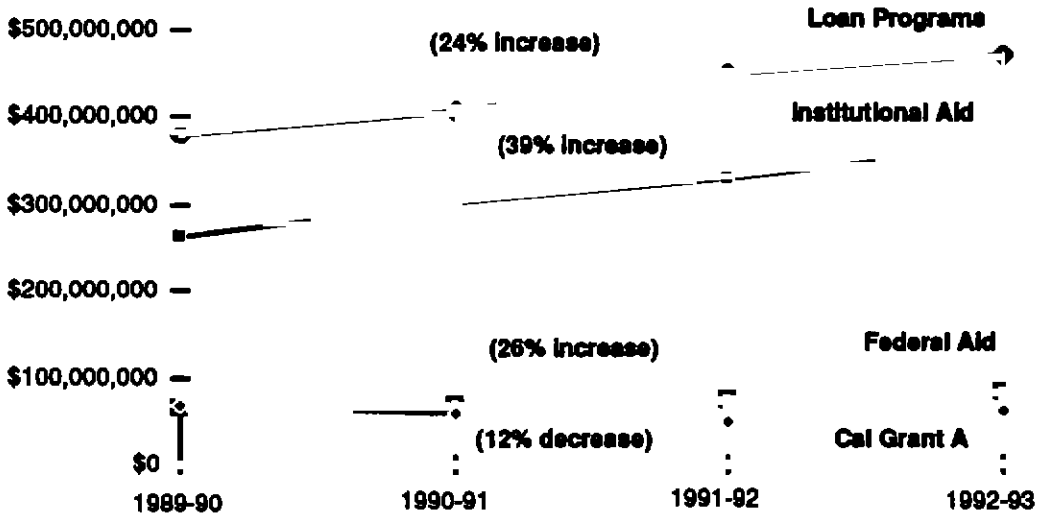
1990	1991	1992	1993
16.7%	15 8%	16.2%	16 4%

Both the increase in federal (non-loan) aid to California's independent college students and its relatively minor impact as a percent of total institutional aid in the independent sector, both suggest that the federal government is not directly responsible for the independent sector's need to increase institutional financial aid. To be sure, the years from 1989-90 through 1992-93 witnessed a major increase in federal loan volume assumed by California's independent college students. In 1989-90 the student loan volume was $336 million; by 1992-93 it was $471 million. The intervening years accounted for 13.3%, 14.5%, and 8.1% increases in student loan volume. However, as evidenced above, assumption of the growth in federal loan volume was passed directly to the students and not to independent college institutions.

Display 6-5 charts the changes in grant and loan volume over the four year period, 1989-90 through 1992-93. The significant shift in resources, from grants to loans and the increases in institutionally funded grants coupled with the decline in the value of Cal Grants suggest a rapid shift in support that could cause long term problems for the institutions and also for state policy. Based on the other shifts in ratios, described previously, the almost 40% increase in institutionally funded aid over just four years is a non-sustainable trend. As was shown in the display on Educational and General Expenditures in the Executive Summary (Display 1-4), there is a measurable relationship between the changes in expenditures for instructional cost and for student aid. That trend is present for the entire period of the study, but the shift may be even more dramatic over the shorter time outlined in the chart below. At the same time, the rapid advance in loan volume suggests that many students choosing an independent college will leave those institutions with substantial debt burden before they begin their careers. Students who leave college with substantial debt obligations may make different career choices. Students with heavy debt burdens have been shown to be less likely to complete their degrees. The debt

burden may also change consumption patterns for several years after students graduate. For example, purchases of first houses and other major capital expenditures could be delayed.

Display 6-5: Changes in Grant and Loan Aid to Students, 1989-90 to 1992-93



VII. Developing Policy Issues

This chapter is admittedly more speculative than the previous ones. In developing this paper four issues were uncovered that do not have a clear policy response. Each presents long-term financial implications for individual campuses and for the independent sector as a whole. Over the long term, if the financial implications of each issue continue in a negative direction, there will be a profound effect on the ability of the sector to contribute to the higher education resources available to Californians. The issues may not be limited to the independent sector. The four issues are:

- Continuing capital needs of the sector
- Threats to the exempt status of independent colleges
- Dealing with the cost of regulation
- Responding to the growth of off-campus centers

As these questions were being explored, the Association developed a survey to estimate the impact of the first three issues. Member institutions were surveyed in October 1994. This section will discuss each of the issues and present the data that the Association has been able to collect to date. Each of the issues will benefit from more comprehensive study, yet the indicators are strong enough to provide at least a series of preliminary conclusions.

Continuing Capital Needs of the Sector - Higher education is labor and capital intensive. This is true for both research institutions and for colleges whose mission is primarily teaching. As previously noted, capital expenditures in an independent college follow certain standard accounting rules. Since the vast majority of colleges and universities use some form of fund accounting, expenditures for this kind of activity are generally made out of a plant fund. In a for-profit enterprise all resources are considered to be in one "pot". Thus, since all money is "fungible", it makes little difference where money is derived from or where it is spent. In fund accounting, institutions must separate revenues and expenditures into a series of funds. In colleges and universities, the funds generally fall into a general fund, a plant (and facilities) fund, and an endowment fund. The assumption of fund accounting is that it allows all

resources and expenditures to be tracked to a particular purpose. In reality, the complexity of colleges and universities assures that the uses may track across a series of funds. The accounting profession (through the Financial Accounting Standards Board (FASB) rule 117) has eliminated the use of fund accounting for independent colleges starting in fiscal year 1996.

While independent colleges and universities operate under rules developed by FASB, public institutions follow accounting rules developed by the Government Accounting Standards Board (GASB). Until a few years ago, that difference was a minor technicality. FASB recently ruled that colleges under its standards must depreciate their physical assets over a calculated useful life, based on the type of physical asset. Over time, if this difference is allowed to continue, comparisons between public and independent colleges will become more complex, because the underlying numbers will be based on profoundly different starting points.

Plant fund expenditures generally fall into four areas:

- Current Operations and Maintenance of the Capital Assets of the Institution: This category is the capital that the current physical plant needs to operate. The IPEDS data include calculations for this expenditure.
- Capital Renewal and Replacement: After a physical asset is depleted, it must be replaced. When an institution is under financial stress it may defer those expenditures or may extend the normal renewal schedules. Deferred maintenance is calculated by an institution based on deviations from its normal schedules of renewal and replacement. An early indicator of financial stress is an increased reliance on deferred maintenance.
- Code Maintenance: As building codes change, colleges and universities are required to update their facilities to meet the new codes. Sometimes those changes can be accommodated in the normal process of renewal and replacement of facilities. In other cases, the building codes require an immediate change. An example of code maintenance expenditures are those required to make college and university facilities accessible to the disabled.
- Capital Investment: These expenditures are for additions to the physical plant. They may be financed out of current funds, out of borrowed money or out of gift income.

Independent colleges base their expansion plans on an assessment of market conditions. Most institutions finance their major expansions out of gift revenue or by borrowing the funds using either tax exempt bonds through the California Educational Facilities Authority (CEFA) or through other financial markets. As a result of the 1986 Federal Tax Reform Act, independent college use of tax exempt bonds was restricted to a total amount of $150 million per institution. That provision in law affected more than twenty five institutions nationwide and two institutions in California, Stanford and USC. These two institutions, as major research institutions, have a large continuing demand for capital financing. The situation facing USC and Stanford is similar to the one faced by the University of California and the California State University. For the last several years, neither UC nor CSU has been able to get a bond obligation adopted by the voters. Although in the case of the public institutions, lease obligation bonds issued through the Public Works Board offer at least a partial solution to their needs. The independent research universities have used a variety of devices to cope with the $150 million tax exempt bond limit, including the advance refunding of prior obligations and alternative financing mechanisms. Neither solution will meet the needs of the sector in the long term.

The Association surveyed members on their capital needs in three areas. The questionnaire required institutions to estimate projected expenditures in the area of capital renewal and replacement, code maintenance and deferred maintenance. Twenty one institutions responded to the questionnaire. Their total needs in these three areas amounted to $603 million. With data still to be collected by the remaining fifty-one member institutions, the $603 million figure is a modest one.

Display 7-1: Capital Needs of the Independent Sector

(Does not include expansion needs)

Capital Need	Amount in Millions
Renewal and Replacement of Existing Facilities	$341
Code Maintenance	$110
Deferred Maintenance	$152
Total Capital Needs	**$603**

The Association did not make a separate calculation of the estimated expansion needs of the sector, if it were to grow beyond current capacity in

order to fulfill the policy expectations contained in AB 617. The best proxy for those needs might be highlighted by looking at the utilization of the California Educational Facilities Authority. CEFA was authorized in 1973 for use by both public and independent institutions. Under the CEFA program, bonds may be sold with the benefit of a rate that is exempt from both federal and state taxes. The bonds are not an obligation of the State of California. CEFA originally allowed issuance of $150 million in revenue bonds. Over the last twenty years the CEFA authorization has increased to more than $1.8 billion. At the current time there are $1.4 billion in bonds outstanding. If the $150 million limit for independents in the federal tax code were to be withdrawn, the CEFA authorization would prove inadequate.

Threats to Tax Exempt Status - Independent colleges operate exempt from certain taxes levied by state and local government. That exempt status is fundamental to the operation of the sector. When Alexis DeTocqueville wrote about this country, in the mid-point of the last century, he marveled at a voluntary sector that offered public benefits to society without governmental intervention and minimal support. It is this beneficial characteristic which now seems to be threatened.

The State Constitution provides an exemption from property and income taxes in Article XIII. That exemption is specific to "non-profit institutions of collegiate grade." The Revenue and Taxation Code supplements those constitutional protections with a series of exemptions to all non-profit institutions in the state. The exemptions include property and income taxation. The income tax exemption allows colleges to be untaxed for revenues, such as tuition and dormitory fees, and for income on investments. The exemption does not exclude income derived from activities that are outside the exempt purpose of the organization. In the 1950s, Marquette University was precluded from operating a macaroni factory it had received in an estate, without paying income taxes on the operations. California and other states have a series of provisions in their tax codes that define unrelated business activity (Unrelated Business Income Taxes or UBIT). All activities that fall under UBIT are taxed on a normal basis. Although there has been considerable activity at the federal level for some non-profit organizations, such as the YMCA operating health clubs, UBIT restrictions for California independent colleges have been relatively rare.

Just how important to the operations of the independent sector is their exempt status? About two years ago the Association reformulated the financial statements of one member institution to reflect operations as a for-profit entity. Appendix 5 presents the results of that recharacterization. In the case of the institution under study, the bottom line went from a modest operating surplus for the year in question to an operating deficit of more than $2 million. Put another way, loss of the exemption would require an increase in operating revenue of more than 10% to cover the projected changes.

In the area of property taxes, colleges and other non-profits are excluded from the general support of government, but like other consumers of services they are required to pay fees for direct services rendered. Thus, while a college will be exempt from property taxes, it is required to pay fees for sewers. Over the last decade, as a result of changes brought about by initiative, fees have been levied on services that were unbundled from the general operations of government. As a result of new methods of financing infrastructure improvements in local areas, independent colleges have witnessed the imposition of a series of new fees and assessments. These new charges are not fees and assessments in the traditional sense, but rather they are more like a tax. To paraphrase one national leader; if they look like a tax and feel like a tax, they are a tax.

These new taxes fall into two primary areas. The first area is newly created special assessment districts which are designed to accomplish a limited public purpose. For example, the districts are funded for purposes such as providing street lighting and support of public libraries. In many cases public institutions are excluded from these fees, but independent colleges are not. Several colleges have been levied waste water disposal district fees to comply with a new federal law. The accumulated burden of these fees is hard to establish. What is clear is that the level and frequency seem to be increasing rapidly in all parts of the state.

The second area of concern relates to planning activities of colleges and universities. In the last several years, like other large landowners, independent colleges have been assessed permit fees that seem to climb almost geometrically. One college's experience detailed below, provides insight into the magnitude of this problem. Permit fees totaled 37% of the actual cost of the project.

Display 7-1: Charting the Increased Costs of Land Use Decisions: One College's Experience

Cost of Project	$2,100,000
Housing Mitigation Fee	$300,000
Transportation Mitigation Fee	$300,000
Associated Permit Fees	$180,000
Fees as a Percentage of Project Costs	37%

When college officials argued that the project outlined above would reduce the shortage of apartments in the area and would concurrently reduce the number of vehicles on the road, the local planning officials agreed. Although the final fees on the building were reduced after considerable negotiation, the college bore significant fees for legal representation and ultimately paid a portion of the original assessment.

In one Northern California case, a college was asked to supply a specialized piece of fire equipment as a prerequisite to having its site plan approved. At the same time, the local officials wanted to require the college to dedicate its open areas for public use. In fact, requested donations or dedications of land are frequent in planning cases.

The solution to this problem is not easy. The existing reliance on local fees and taxes for local government imposes costs on local entities that include exempt property, either governmental or non-profit. The benefits to the state are diffuse, yet the immediate costs may be limited to a local area. Still, that disjuncture should not encourage local government to forage for revenues with non-profit entities. As local government finances have shifted, elements of local taxes have also shifted. Independent colleges want to be good local citizens. At the same time, incremental forays into their exempt status will eventually render the sector less vibrant. For example, in the same year that the Claremont Colleges (as a group) suffered a $500,000 reduction in Cal Grant funding, they were also hit with a lighting assessment district fee that amounted to almost the same amount. An unanticipated million dollar budget change, late in the fiscal year, is an event that does not auger for stability.

The Association is working with a group of college presidents and trustees to think through alternatives to the current exempt status problems faced by the independent sector. At the same time it is pursuing funding for a study of exempt status with its sister association in Pennsylvania.

Dealing with the Costs of Regulation - In the last several years, all colleges and universities have been called upon to comply with a series of regulations that require new procedures and augmentations to staff. The public purpose for many of these new programs might be laudatory but their cumulative administrative and fiscal burden is troubling.

The National Association of Independent Colleges and Universities recently published a compilation of regulations that affect higher education. The list is lengthy and covers almost every aspect of college and university activity. At the federal level, in addition to the State Postsecondary Review Entity requirements, there are a series of new regulations under the general title of "Student Right to Know" which include comprehensive disclosures on admissions and graduation statistics, campus crime and other aspects of student life. In addition, colleges are facing new requirements under the Americans with Disabilities Act (ADA) that have a substantial budgetary impact.

Colleges and universities have also faced significant new requirements for disclosure on use of toxic materials. The model used in state enforcement mechanisms is close to that used for industrial concerns. The complexity of complying with those regulations was recently described by Gerhard Casper in his Newton Baker Lecture at the George Mason School of Law. Casper commented:

> Research and teaching at Stanford produce about 25,000 small containers of chemical waste annually—most of them smaller than a glass of water. State regulators require that each of those containers be labeled with a special label itemizing six specific pieces of information. An error on any one of these items is a violation. Furthermore, if a state inspector finds a container mislabeled in laboratory A on the West side of the campus and on a subsequent visit finds that another container is so mislabeled in laboratory B on the East side of the campus, Stanford can be considered "recalcitrant" because 'multiple' violations have occurred. Labeling fines range from $100 to $10,000 per violation. A 1% error rate, therefore, could result in annual fines of $25,000 to $250,000.

The impact of all regulations differs from campus to campus. Thus, in a small liberal arts college the costs of compliance with toxic waste regulations may be overshadowed by the costs of new publications required under the Student Right to Know provisions. In recognition of those differences the Association asked member institutions to supply estimates of the top three regulatory impacts on each campus. Twenty six institutions responded to the survey in detail. The cumulative cost for these institutions totaled more than $38 million. The number is significant enough to postulate that part of the shift in expenditures from operation and maintenance to student services and

operations maintenance is attributable to the costs of regulation. (See Display 1-4: Shifting Sources of E&G Expenditures.)

Significant compliance costs of the Americans with Disabilities Act seem to pervade the sector. For institutions that supplied estimates of the cost of compliance with this act, the total cost amounted to more than $4.3 million. Stanford and USC as the sector's two largest institutions, did not supply estimates for their ADA costs, so it is reasonable to assume that the total costs for the sector could be two to three times the amount estimated. Costs related to this act alone, make clear the magnitude of the increased regulatory burden assumed by independent colleges.

Authorization of Off-Campus Centers - The final issue in this section is a phenomenon that is grounded in current law. Under the authorizing statute for the California Postsecondary Education Commission, new off-campus centers of public institutions are required to be reviewed by CPEC before they begin operations. That provision does not apply to centers that are "self supporting". In several recent cases, however, the siting of these centers can only be described as predatory. For example, one member of the Association has developed a nationally recognized program in software and music engineering that has attracted a wide following in the Silicon Valley. Recently, a public sector off-campus program was established in an adjacent building with a very similar program and with fees considerably below those of the independent campus. A similar problem developed in the financial district of San Francisco. Here a public sector off-campus program in accounting was offered at considerably discounted prices down the street from Golden Gate University, whose national reputation in accounting is well established.

This problem is especially pronounced in the market for students who are currently employed. Independent colleges are always willing to compete. However, this type of competition is duplicative and is not a good use of limited state resources—both public and private—to meet the needs of a fast-growing student population.

Conclusion - As highlighted in this section, the financial health of the independent sector needs to be measured using both traditional and non-traditional indicators. If the historic partnership between the state and the independent sector is to be upheld, this section suggests that the state needs to work with the independent sector in developing policy responses to the non-traditional as well as traditional indicators.

Appendix 1 - Peer Review Panel

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Harvey Mudd College

Dennis Farrell
Manager, Higher Education Practice
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New York

Carol Fuller
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Scripps College

Jon McGee
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Minnesota Private College Council

William Pickens
Senior Partner/Western Region Director
MGT Consultants

Fredric Prager
Managing Partner
Prager, McCarthy and Sealy
San Francisco

For this study, data and analyses of independent colleges and universities were provided only for AICCU member schools. AICCU consists of seventy-two members. However, since the study is longitudinal, data for two new members who recently joined the Association are not included. (See Display A2-1: Institutions in AICCU Groups with Total Enrollments.)

AICCU Groups

Given the unique characteristics of many California independent colleges and universities, AICCU has avoided traditional groupings of member institutions using existing measures such as the Carnegie Classification of Higher Education. For internal analytic purposes, AICCU has developed its own classification system. At best, such a process is an inexact "science." Yet, for this report and other surveys, the internal groupings have been instructive and served AICCU well. A description of the complexities of classifying one institution is presented below.

AICCU's classification of member campuses was revised and modified in early 1994. General descriptors such as enrollment, budget size, and endowment level were used as guidelines to classify the members. Each campus was assigned a number value (1 through 6) for each descriptor according to natural groupings on a statistical trend line. The numbers for each descriptor assigned to each campus were then averaged. The groupings were initially established according to this average. Once the statistical grouping by average was completed, final classification was refined by reviewing faculty salaries, mission, and basic curricula of each campus more thoroughly.

Based upon the above process, AICCU members are grouped into six major groups and two subgroups. In essence then, AICCU institutions belong to one of eight groups. The AICCU groups with very general descriptors include:

Group I	Doctoral Research Universities
Group IIA	Comprehensive Universities with FTE enrollment of 2,500 to 7,000
Group IIB	Comprehensive Colleges and Universities with FTE enrollment of 1,000 to 5,000
Group III	Liberal Arts Colleges with a high level of endowment
Group IVA	Liberal Arts Colleges and Universities with FTE enrollment of 500 to 1,000
Group IVB	Small Liberal Arts Colleges and Universities with FTE enrollment of 300 to 1,000
Group V	Specialized Institutions
Group VI	Professional Schools

Groups I, V, and VI are unique in their own ways: Group I consists of doctoral research universities; Group V institutions are highly specialized; and Group VI institutions are "stand alone" professional schools. Groups III and IV are mainly liberal arts colleges and universities. Group II institutions are large comprehensive colleges and universities with a minimum enrollment of 2,000 FTE. Though Group IIA and IIB institutions are similar in size, they differ in mission. Group III campuses are generally liberal arts colleges whose small size and high level of endowment separate them from other liberal arts institutions. Group IV institutions generally have smaller enrollments than Group II institutions. As with Group II, Group IV institutions are divided into two subgroups due to difference in mission.

Display A2-1: Institutions in AICCU Groups with Total [illegible]

Group	Location	Total Enrollment 1993
I: Doctoral research universities		
California Institute of Technology	Pasadena	1,992
Claremont Graduate School	Claremont	1,012
Stanford University	Stanford	13,674
University of Southern California	Los Angeles	22,983
IIA: Universities with 2,500 to 7,000 FTE enrollment		
Golden Gate University	San Francisco	3,366
Loma Linda University	Loma Linda	2,478
Loyola Marymount University	Los Angeles	5,744
National University	San Diego	6,724
Pepperdine University	Malibu	5,061
Santa Clara University	Santa Clara	6,121
University of San Diego	San Diego	5,393
University of San Francisco	San Francisco	6,902
University of the Pacific	Stockton	5,180
IIB: Colleges & universities with 1,000 to 5,000 FTE enrollment		
Azusa Pacific University	Azusa	2,927
Biola University	La Mirada	2675
California Lutheran University	Thousand Oaks	2,082
Chapman University	Orange	2,082
Point Loma Nazarene College	San Diego	2,254
Saint Mary's College of California	Moraga	3,627
University of La Verne	La Verne	3,395
III: Liberal arts colleges with a high level of endowment		
California Institute of the Arts	Valencia	1,042
Claremont McKenna College	Claremont	889
Harvey Mudd College	Claremont	668
Mills College	Oakland	980
Occidental College	Los Angeles	1,633
Pitzer College	Claremont	806
Pomona College	Claremont	1,500
Scripps College	Claremont	571
University of Redlands	Redlands	3,880
Whittier College	Whittier	1,804
IVA: Liberal arts colleges & universities with 500 to 1,000 FTE enrollment		
College of Notre Dame	Belmont	1,089
Dominican College	San Rafael	814
Holy Names College	Oakland	599
Humphreys College	Stockton	629
John F. Kennedy University	Orinda	1,032
La Sierra University	Riverside	1,250

By their very nature, independent institutions are independent of each other; each determining its own mission and character. A picture of the complexity of classification of these independent variables can be shown when confronting the challenge of deciding with which group Westmont College belongs. Westmont is a non-denominational Christian college in Montecito. Its size, a few more than 1,200 students, places it in the mid-point of liberal arts colleges. Its admissions profile would place it among the selective liberal arts colleges. Its modest endowment would place it among the smaller institutions in the Association.

Like many other colleges in the Association, it achieves its standing as an educational institution through the direct contributions of its faculty and administrators. Its median faculty salary is a third less than the average for Group III institutions.

From the data presented above, Westmont would logically be included in Group IIB, III or IVA. Each choice would make some sense. When one compares faculty salaries, grouping Westmont with institutions like California Lutheran University, Biola University, Point Loma Nazarene College, and Azusa Pacific University seems plausible. There is also some similarity of institutional purpose. Yet, each of those institutions is considerably larger than Westmont. When one compares student profiles and institutional size, Westmont logically fits with institutions like Mills College, Occidental, Whittier and the Claremont Colleges. Yet, each of those has considerably larger endowments and significantly higher faculty salaries. When one looks at size of endowment, the logical comparison is to colleges like Pacific Union College, Dominican College of San Rafael, or Holy Names College. Yet, placing Westmont in Group IVA would put it at the top of operating budgets for the group.

The utility of classifications can be demonstrated by how well each institution compares with its peer institutions in a specific group. Obviously, comparing data from an institution like Stanford, with a small specialized institution like Humphreys College, makes little analytical sense.

The Association conclusion for this report was to place Westmont with Group IVA, weighting their endowments and other financial features as the primary device for classification. The Association uses these classifications for a number of other analytical studies for its membership. Computers allow the Association to vary groups according to the needs of a particular study. For

example, Westmont might logically be classified with one group for faculty salary comparisons and another for a study on admissions programs.

Data Collection and Analysis

In order to provide a historical context for trends, as well as a "snapshot" of recent developments in the 1990s, this report contains enrollment, degree, and financial data for the following years: 1980, 1985, 1990, 1991, 1992, and 1993. Data for this report were primarily collected from annual IPEDS surveys. In a very few instances, IPEDS data were not available for these years. In such cases, data from a previous year were substituted. In addition to the IPEDS surveys, a number of AICCU surveys were utilized.

Analyses of enrollment, degree, and financial data is presented both in the aggregate and by group. Data for individual institutions are not highlighted, since little understanding of the sector would be gained by employing such an approach. Actual numbers, percentages, and ratios are utilized for analysis. In addition to the group and sectoral trend analyses, in some instances, data are compared with the two four-year public systems.

Peer Review Process

A peer review panel was established in fall of 1994. The panel consisted of nationally renowned independent researchers and analysts, finance officers, and institutional researchers from AICCU campuses. The panel was asked to review and critique various drafts of the financial condition study report. To the extent possible, feedback from panelists was incorporated in the final report.

Appendix 3 - A Dynamic Approach to Projecting Changes in Independent Sector Enrollment

Introduction

Projecting independent sector enrollment is not a simple task. Since each of the institutions is autonomous, individual institutional decisions about enrollment are conditioned on a number of factors, including the board of trustees' understanding of the institutional mission, outside economic forces, the relative price of public alternatives, and the relative value of governmentally provided student assistance.

There are several known factors related to making enrollment projections:

- **First, when the Cal Grant program keeps pace with changes in costs at independent colleges, even when public college fees are kept low, the independents respond with significant increases in enrollment.** During the last phase of major growth in California higher education (1960-1974), independent colleges grew at a rate faster than the related changes in the cohort of high school graduates.
- **Second, when the value of Cal Grants declines, relative to independent college tuition, independent colleges substitute out-of-state students for California students and also may experience declines in enrollment.** During the last decade, the percentage of California students attending independent colleges has declined in relation to total enrollment in the sector. This is the result of the decline of the relative value of the Cal Grant for needy California students.
- **Third, when the Cal Grant maximum maintains relative value in relation to independent college tuition, the sector attracts increasing numbers of non-need students along with Cal Grant winners.** Conversely, when the value of the Cal Grant declines, Cal Grants may become less efficient in attracting non-needy students as well as needy students.

Methodology

The following scenarios were constructed to illustrate possible effects of alternative Cal Grant strategies. They do not represent hard number estimates

of total changes in enrollment that might occur. Rather, they show relative impact of different Cal Grant strategies. Scenario #1 acknowledges the current Cal Grant environment. Scenarios #2 through #5 depict increases in the maximum award amount and/or the number of awards granted. They show how, on the eve of Tidal Wave II, growth in the Cal Grant program would result in additional use of independent sector space.

The following assumptions have been made in constructing the scenarios:

- The increases in share of Cal Grant awards to independent college students in Scenarios #2 and #3 are based on changes in the value of the award. They do not assume a conscious policy decision to increase the number of awards.
- As reflected in Scenario #2, AICCU estimates that an increase of the Cal Grant maximum award from its current level ($5,250) to the mid-point ($6,725) of its statutorily mandated level ($8,200), will result in an increase of 1,200 new Cal Grant winners at independent institutions. Developments in academic year 1994-95 provide logical support for this estimate. In 1994-95 there was an increase of approximately 600 new Cal Grant A awards in the independent sector. This increase occurred as a consequence of the restoration of the maximum award back to its 1992-1993 level of $5,250.
- As the relative value of Cal Grants increases, the ratio of non-need California students attending independent colleges will also increase.

Scenario #1—The Current Environment

Assumptions:
- No change in Cal Grant maximum
- No change in the number of awards

Results: **A continued decline in enrollment**

1995-96	-909
1996-97	-900
1997-98	-891
1998-99	-882
Grand Total	***-3,582***

Comment: In the 1994-95 award cycle, the number of independent college award winners actually increased, although independent college undergraduate enrollment declined by about 1%. The Cal Grant becomes a very inefficient subsidy to encourage students to attend independent colleges when the number and level of awards is held static for long periods of time.

Scenario #2 —Increase in the Cal Grant Maximum to Mid-point of Statutory Maximum

Assumptions:
- Increase Cal Grant maximum to $6,725
- No change in the number of Cal Grant awards

Results: **Modest enrollment growth conditioned on Cal Grant recipients and a slight increase in non-need students attending independent colleges**

Year	New Cal Grant Recipients	Yield of Non-need Based Students	Enrollment Increase	Total Cal Grant $
1995-96	1,200	600	1,800	$14,678,000
1996-97	1,200	600	1,800	$14,678,000
1997-98	1,200	600	1,800	$14,678,000
1998-99	900	450	1,350	$12,660,500
TOTAL	**4,500**	**2,250**	**6,750**	**$56,694,500**
		Average Cost per Student		*$8,399*

Comment: Increases in the Cal Grant maximum would produce a modest gain in enrollment. Depending on the size of the increase, it might also yield additional non-need based enrollment gains for the sector. If the value of the award failed to keep pace with the relative cost of education, the enrollment gains would drop off and eventually decline.

Scenario #3—Increase the Cal Grant Maximum to the Statutory Maximum

Assumptions:
- Increase Cal Grant Maximum to $8,200
- No change in the number of Cal Grant awards

Results: **Dynamic increases in utilization of the independent sector**

Year	New Cal Grant Recipients	Yield of Non-need Based Students	Enrollment Increase	Total Cal Grant $
1995-96	1,800	1,440	3,240	$27,976,000
1996-97	1,800	1,440	3,240	$27,976,000
1997-98	1,800	1,440	3,240	$27,976,000
1998-99	1,200	960	2,160	$23,056,000
TOTAL	**6,600**	**5,280**	**11,880**	**$106,984,000**
		Average Cost per Student		*$9,005*

Comment: The increase in the Cal Grant maximum would produce substantial shifts in the distribution of Cal Grant winners back to a pattern that was evident in earlier times.

Scenario #4—Raise the Cal Grant Maximum and Increase the Number of Awards

Assumptions:
- Increase Cal Grant Maximum to $6,725
- Increase the number of Cal Grant awards by 10%

Results: **Significant growth in undergraduate enrollment in the independent sector.**

Year	New Cal Grant Recipients	Yield of Non-need Based Students	Enrollment Increase	Total Cal Grant $
1995-96	3,000	1,800	4,800	$26,783,000
1996-97	3,000	1,800	4,800	$26,783,000
1997-98	2,100	1,260	3,360	$20,730,500
1998-99	2,100	1,260	3,360	$20,730,500
TOTAL	**10,200**	**6,120**	**16,320**	**$95,027,000**
		Average Cost per Student		*$5,823*

Comment: The increase in the number of awards and the maximum has a significant effect on enrollments. The augmentations result in substantial utilization of existing unused capacity.

Scenario #5—Full Implementation of the Cal Grant Statutory Requirements

Assumptions:
- Cal Grant Maximum would move to $8,200
- Increase the number of Cal Grant awards by 20%

Results: **Significant growth in undergraduate population and in associated numbers of students who are not Cal Grant winners; some growth in graduate enrollments**

Year	New Cal Grant Recipients	Yield of Non-need Based Students	Enrollment Increase	Total Cal Grant $
1995-96	3,600	7,200	10,800	$42,736,000
1996-97	3,600	7,200	10,800	$42,736,000
1997-98	2,400	4,800	7,200	$32,896,000
1998-99	2,400	4,800	7,200	$32,896,000
TOTAL	**12,000**	**24,000**	**36,000**	**$151,264,000**
			Average Cost per Student	*$4,202*

Comment: Results of full utilization of unused capacity and in the growth of the sector beyond existing capacity.

Appendix 4 - AICCU Overview of Financial Indicators Ratios, by Group

The table below provides the underlying data used to develop the graph in Display 1-6 at the end of the Executive Summary chapter. For each campus group and each type of ratio, a snapshot of three distinct periods (1980-1985, 1985-1990, and 1990-93) is provided. For these distinct periods each group's ratio was plotted in relation to all the other groups. Each group was then ranked high, middle, or low in relation to the other groups. A point value (High=3, Middle=2, Low=1) was assigned to each group, for each ratio and for each distinct period. The points were added for each ratio and were then averaged to provide an overall ratio average.

Group	Years	Net Revenue Ratio	E and G Revenue Contribution Ratio	Tuition & Fees Ratio	Gifts & Grants Ratio	Instructional Costs Ratio	E & G per FTE Student	Institutional Aid as % of E & G	Overall Average
I	80-85	Middle	High	High	Middle	Low	High	Middle	7 29
	85-90	Middle (6)	High (9)	High (9)	High (8)	Middle (4)	High (9)	Middle(6)	
	90-93	Middle	High	High	High	Low	High	Middle	
IIA	80-85	Middle	High	Low	Low	High	Low	Middle	6 14
	85-90	High (8)	Middle (7)	Low (3)	Middle (7)	Middle (8)	Low (4)	Middle(6)	
	90-93	High	Middle	Low	Middle	High	Middle	Middle	
IIB	80-85	Middle	High	Low	Middle	High	Low	Middle	5 43
	85-90	Low (5)	Middle (7)	Low (3)	Low (8)	High (9)	Low (3)	Middle(6)	
	90-93	Middle	Middle	Low	Middle	High	Low	Middle	
III	80-85	High	Middle	Middle	High	Middle	High	High	7 14
	85-90	Middle (7)	Middle (6)	Middle (6)	High (9)	Low (4)	High (9)	High (9)	
	90-93	Middle	Middle	Middle	High	Low	High	High	
IVA	80-85	Middle	Middle	Low	Middle	Middle	Low	Middle	5 43
	85-90	Low (5)	Middle (6)	Middle (4)	Middle (6)	Middle (6)	Middle (5)	Middle(6)	
	90-93	Low	Middle	Low	Middle	Middle	Middle	Middle	
IVB	80-85	High	Middle	Middle	High	Low	Low	Middle	5 29
	85-90	Middle (4)	Middle (6)	Middle (6)	High (9)	Low (3)	Low (3)	Middle (6)	
	90-93	High	Middle	Middle	High	Low	Low	Middle	
V	80-85	Low	Low	Low	Low	Middle	Low	Middle	5 14
	85-90	Low (5)	Low (3)	Low (3)	Middle (5)	Middle (6)	Middle (5)	High (9)	
	90-93	High	Low	Low	Middle	Middle	Middle	Middle	
VI	80-85	Middle	Middle	Low	Low	Middle	Low	Low	5 00
	85-90	High (8)	Middle (6)	Low (3)	Low (3)	Middle (7)	Middle (5)	Low (3)	
	90-93	High	Middle	Low	Low	High	Middle	Low	

Number in ( ) indicates group average during years 1980-85, 1985-90, and 1990-93.

Appendix 5 - What if an Independent College were Reformulated as a For-profit Entity?

Revenues	
Tuition and Fees	$11,044,114
Federal Grants & Contracts	$1,030,769
Private Gifts,Grants & Contracts	$1,751,562
Gifts and Bequests Transferred	$1,150,000
Bequests	$68,994
Investment Income	$3,778,979
Sales & Srvcs. of Educ Activities	$707,110
Other Sources	$193,782
Total Educ. & General Revenue	$19,725,310
Housing and Food Service	$3,346,541
Conferences	$833,092
Other Auxiliary Enterprises	$491,558
Total Auxiliary Enterprises	$4,671,191
Total Revenues	$24,396,501
Expenditures	
Instruction	$5,614,389
Research	$336,521
Academic Support	$1,723,670
Student Services	$2,238,973
Institutional Support	$2,712,002
Operation & Maint of Plant	$1,229,039
Public Service	$776,607
Financial Aid	$3,882,860
Principal and Interest Transfer	$281,873
Loan and Matching Fund Grant	$7,395
Total Educ. & General Expenses	$16,803,329
Housing and Food Service	$2,542,982
Conferences	$819,935
Other Auxilliary Enterprises	$568,217
Total Auxilliary Expenses	$3,931,134
Total Expenses	$22,734,463

Calculations on Potential Current Fund Tax Liability

Taxes from Operations

*Educational and General Revenue produces a net income of **$313,474** when gifts are included as income*

plus ...

Taxes from Auxiliaries

*Auxiliary Enterprises could be taxed either as an operating business, where income taxes are applied to the net profit, or as a restaurant/hotel where sales taxes and occupancy taxes are collected. If the activities are considered to be a business with no sales taxes collected, income taxes would take more than **$250,000***

plus ...

Property Taxes

*This college's land, buildings and improvements have a total estimated valuation of more than $130 million Assuming that the land value held its 1977 valuation (Based on a provision in Proposition 13 which limits current valuations for long time property holders) total property taxes could amount to an annual assessment of **$881,250.***

equals ...

Total Current Fund Tax Liability

... $1,444,724

Liability Related to Transfers and Investments = $1,415,000

Potential Liabilities Created by Investment & Interfund Transfers: Colleges transfer resources between funds Such transfers include transfers of receipts over expenditures, additions to endowment from current spending policy (where endowment earnings exceed current spending requirements), additions to (Board designated) quasi endowment, and additions to plant reserves. In this example, total value of transfers were $2 7 million. Taxed at the federal corporate rate, liability would increase by $900,000. Finally, colleges appropriate capital gains from the endowment portfolio which is taxed as income In this statement the appropriation of gains would add another $515,000

*Total Potential Liability = $2,859,724**

*This figure represents 12.6% of the operating budget. If these costs were added to tuition it would result in a 26% increase in student costs

Appendix 6 - Statistical Appendix

The following displays are the raw numbers for the statistical presentations from each chapter. They are parallel to the displays in the text.

Coordinate Display 3-6: Enrollment of Women, 1980-93

Level	Year	Total Enrollment	Women	Percentage
Undergraduate	1980	95,987	46,911	49%
	1984	101,315	50,106	49%
	1990	100,810	52,108	52%
	1991	98,865	51,886	52%
	1992	100,256	53,664	54%
	1993	102,473	55,377	54%
Graduate	1980	53,476	20,671	39%
	1984	56,708	22,481	40%
	1990	64,549	30,460	47%
	1991	61,709	29,796	48%
	1992	63,573	30,094	47%
	1993	62,752	31,302	50%
Professional	1980	15,365	4,808	31%
	1984	15,165	5,423	36%
	1990	15,553	6,422	41%
	1991	16,712	7,044	42%
	1992	16,664	6,597	40%
	1993	17,144	7,669	45%

Coordinate Display 3-7 (I): Domestic Enrollment by Ethnicity, 1980-93

Level	Year	American Indian	African American	Chicano/ Latino	Asian American	White/Non-Hispanic
Undergraduate	1980	470	5,639	5,990	6,726	66,996
	1984	445	5,710	6,862	8,317	70,806
	1990	605	5,504	8,593	11,058	68,643
	1991	678	5,240	8,941	11,722	63,599
	1992	693	5,673	10,405	13,086	61,691
	1993	749	5,873	11,427	13,663	61,712
Graduate	1980	184	2,274	1,775	2,213	40,402
	1984	186	2,148	2,005	3,246	41,835
	1990	281	2,661	2,991	5,037	45,793
	1991	289	2,429	2,857	5,052	40,097
	1992	260	2,680	3,360	5,311	40,135
	1993	290	2,607	3,323	5,350	38,940
Professional	1980	40	511	605	1,127	12,735
	1984	53	570	705	1,638	11,923
	1990	75	585	822	2,440	11,184
	1991	93	703	1,051	2,834	11,288
	1992	112	620	1,082	3,225	10,915
	1993	133	740	1,192	3,432	10,836

Coordinate Display 3-7 (II): Enrollment by Ethnicity, Percentages, 1980-93

Level	Year	American Indian	African American	Chicano/ Latino	Asian American	White/Non-Hispanic
Undergraduate	1980	0 5%	6.6%	6 3%	6.9%	79.7%
	1984	0.7%	6.0%	6.2%	8.7%	78.4%
	1990	0.7%	5.4%	9.0%	12 2%	72.8%
	1991	0.7%	5.5%	9.9%	13 4%	70.5%
	1992	0.8%	5.7%	11.5%	14 8%	67.2%
	1993	0.8%	5.8%	12.4%	15 1%	65.9%
Graduate	1980	0.4%	4.7%	3 9%	4.8%	86.2%
	1984	0.4%	4.0%	4.0%	6.4%	85.2%
	1990	0.5%	4 8%	5 3%	8.5%	80.9%
	1991	0.6%	4.9%	5 8%	9.6%	79.1%
	1992	0.5%	5.2%	6 5%	9.8%	78.0%
	1993	0.6%	5 4%	6 7%	9.9%	77 4%
Professional	1980	0.3%	2 9%	4.0%	7.9%	84.8%
	1984	0.4%	4 6%	4 5%	8.6%	81 9%
	1990	0.5%	3.5%	5 4%	17.3%	73.3%
	1991	0 6%	4.2%	6.6%	19.0%	69 6%
	1992	0.7%	3.8%	6.9%	21.4%	67.2%
	1993	0.9%	4.1%	7.3%	22.3%	65 4%

Coordinate Display 3-8: Enrollment Share Over Time

Undergraduate	1980	1984	1990	1991	1992	1993	80-81	84-85	89-90	90-91	91-92	92-93
							Percent (%)					
CSU	246,848	256,839	294,083	287,815	277,122	262,482	55.9%	55.3%	56.6%	56.2%	55.1%	53.8%
ICU	95,987	101,315	100,810	98,865	100,256	102,473	21.7%	21.8%	19.4%	19.3%	19.9%	21.0%
UC	98,846	106,025	124,271	125,821	125,187	123,062	22.4%	22.8%	23.9%	24.5%	24.9%	25.2%
TOTAL	441,681	464,179	519,164	512,501	502,565	488,017	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Graduate, Doctorate & Professional	1980	1984	1990	1991	1992	1993	80-81	84-85	89-90	90-91	91-92	92-93
							Percent (%)					
CSU	34,081	29,981	39,732	41,908	41,803	38,836	24.7%	22.0%	25.4%	26.2%	25.7%	24.5%
ICU	68,841	71,873	80,102	77,873	80,000	79,886	49.9%	52.9%	51.2%	48.5%	49.3%	50.3%
UC	35,101	34,133	36,676	40,426	40,817	40,060	25.4%	25.1%	23.4%	25.3%	25.0%	25.2%
TOTAL	138,003	135,987	156,510	160,007	162,420	158,782	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Coordinate Display 3-10: Relative Value of Cal Grants in Relation to Independent College Tuition

	Cal Grant A Maximum Award	AICCU Weighted Average Tuition and Fees*	Percent of Tuition and Fees Covered by the Max. Grant	Percent of Winners
1980	$3,200	$4,610	69.4%	43.7%
1981	$3,400	$5,260	64.6%	39.0%
1982	$3,330	$5,930	56.2%	36.3%
1983	$3,400	$6,540	52.0%	34.0%
1984	$3,740	$7,250	51.6%	33.1%
1985	$4,110	$7,910	52.0%	33.5%
1986	$4,320	$8,610	50.2%	33.0%
1987	$4,370	$9,250	47.2%	32.0%
1988	$4,710	$9,980	47.2%	30.4%
1989	$5,250	$10,820	48.5%	29.4%
1990	$5,250	$11,275	46.6%	30.5%
1991	$5,250	$12,158	43.2%	30.0%
1992	$5,250	$12,887	40.7%	27.8%
1993	$4,452	$13,531	32.9%	27.9%

*Weighted tuition represents the average amount paid by students, not the average amount charged by institutions

Coordinate Display 4-1: Degrees Awarded by Independent Institutions, 1980-93

Level	80-81	84-85	89-90	90-91	91-92	92-93
Bachelor's	18,745	20,083	21,964	22,319	22,150	21,308
Master's	14,758	14,832	17,178	17,127	17,375	17,834
First Professional	4,004	4,185	3,686	3,805	4,157	4,195
Doctorate	1,722	1,631	1,849	1,899	1,878	2,133
TOTAL	39,229	40,731	44,677	45,150	45,560	45,470

Coordinate Display 4-2 (I): Domestic Degrees Awarded by Ethnicity, 1980-93

Level	Year	American Indian	African American	Chicano/ Latino	Asian American	White/ Non-Hispanic
Bachelor's	1980-81	73	907	1,001	1,251	14,278
	1984-85	161	873	1,077	1,230	13,043
	1989-90	87	983	1,556	2,081	15,596
	1990-91	159	960	1,591	2,129	15,570
	1991-92	134	1,008	1,613	2,056	15,293
	1992-93	141	1,021	1,761	2,350	14,110
Master's	1980-81	74	731	559	639	11,097
	1984-85	75	534	464	631	8,732
	1989-90	53	733	871	1,262	11,955
	1990-91	91	707	694	1,323	11,749
	1991-92	71	618	728	1,308	11,339
	1992-93	80	690	786	1,475	11,457
First Professional	1980-81	16	102	138	271	3,407
	1984-85	6	86	138	235	2,592
	1989-90	15	88	157	492	2,804
	1990-91	14	120	209	510	2,812
	1991-92	21	131	182	590	3,056
	1992-93	26	113	221	669	3,007
Doctorate	1980-81	2	59	36	54	1,299
	1984-85	9	42	40	41	883
	1989-90	2	41	74	86	1,157
	1990-91	7	51	55	97	1,254
	1991-92	24	45	49	99	1,198
	1992-93	20	39	60	128	1,366

Coordinate Display 4-2 (II): Domestic Degrees Awarded by Ethnicity, Percentages

Level	Year	Amer-ican Indian	African Amer-ican	Chicano/ Latino	Asian Amer-ican	White
Bachelor's	1980	0.4%	5.2%	5 7%	7.1%	81.6%
	1984	1 0%	5.3%	6 6%	7 5%	79.6%
	1990	0 4%	4.8%	7 7%	10.2%	76.9%
	1991	0 8%	4.6%	7 8%	10.4%	76.4%
	1992	0 7%	5.0%	8 0%	10.2%	76.1%
	1993	0 7%	5.3%	9.1%	12.1%	72.8%
Master's	1980	0.6%	5 6%	4.3%	4 9%	84.6%
	1984	0 7%	5.1%	4.4%	6 0%	83.8%
	1990	0 4%	4.9%	5 9%	8.5%	80.3%
	1991	0.6%	4.4%	4.8%	9.1%	80 1%
	1992	0.5%	4.4%	5 2%	9.3%	80 6%
	1993	0.6%	4 8%	5.4%	10.2%	79 0%
First Professional	1980	0.4%	2.6%	3.5%	6.9%	86 6%
	1984	0.2%	2 8%	4.5%	7.7%	84 8%
	1990	0.4%	2.5%	4.4%	13.8%	78 9%
	1991	0 4%	3.3%	5 7%	13.9%	76.7%
	1992	0 5%	3.3%	4.6%	14.8%	76.8%
	1993	0 6%	2.8%	5 5%	16.6%	74.5%
Doctorate	1980	0.1%	4 1%	2 5%	3.7%	89.6%
	1984	0 9%	4.1%	3.9%	4.0%	87 1%
	1990	0 1%	3 0%	5.4%	6.3%	85.2%
	1991	0 5%	2 9%	3 8%	6.6%	86.2%
	1992	1.7%	3 2%	3 5%	7.0%	84.6%
	1993	1 2%	2 4%	3 7%	7.9%	84.8%

Coordinate Display 4-3: Degree Share Over Time

Bachelor's

	80-81	84-85	89-90	90-91	91-92	92-93	80-81	84-85	89-90	90-91	91-92	92-93
							Percent (%)					
CSU	41,993	44,292	48,105	50,130	53,665	55,665	52.2%	51.5%	49.9%	50.3%	50.9%	51.5%
ICU	18,745	20,083	21,964	22,319	22,150	21,308	23.3%	23.4%	22.8%	22.4%	21.0%	19.7%
UC	19,733	21,583	26,261	27,172	29,648	31,130	24.5%	25.1%	27.3%	27.3%	28.1%	28.8%
TOTAL	80,471	85,958	96,330	99,621	105,463	108,103	100%	100%	100%	100%	100%	100%

Master's

	80-81	84-85	89-90	90-91	91-92	92-93	80-81	84-85	89-90	90-91	91-92	92-93
							Percent (%)					
CSU	9,545	9,179	9,862	10,467	11,258	12,446	32.0%	30.8%	29.7%	30.9%	32.0%	33.9%
ICU	14,758	14,832	17,178	17,127	17,375	17,834	49.4%	49.8%	51.8%	50.5%	49.5%	48.6%
UC	5,569	5,751	6,148	6,311	6,499	6,417	18.6%	19.3%	18.5%	18.6%	18.5%	17.5%
TOTAL	29,872	29,762	33,188	33,925	35,132	36,697	100%	100%	100%	100%	100%	100%

First Professional

	80-81	84-85	89-90	90-91	91-92	92-93	80-81	84-85	89-90	90-91	91-92	92-93
							Percent (%)					
CSU	0	0	0	0	0	0						
ICU	4,004	4,185	3,686	3,805	4,157	4,195	69.2%	69.2%	66.4%	67.6%	69.9%	69.4%
UC	1,781	1,861	1,865	1,823	1,793	1,848	30.8%	30.8%	33.6%	32.4%	30.1%	30.6%
TOTAL	5,785	6,046	5,551	5,628	5,950	6,043	100%	100%	100%	100%	100%	100%

Doctorate

	80-81	84-85	89-90	90-91	91-92	92-93	80-81	84-85	89-90	90-91	91-92	92-93
							Percent (%)					
CSU	6	8	12	0	0	25	0.2%	0.2%	0.3%	0.0%	0.0%	0.5%
ICU	1,722	1,631	1,849	1,899	1,878	2,133	44.9%	44.7%	44.3%	43.4%	42.6%	44.1%
UC	2,111	2,012	2,311	2,476	2,530	2,675	55.0%	55.1%	55.4%	56.6%	57.4%	55.3%
TOTAL	3,839	3,651	4,172	4,375	4,408	4,833	100%	100%	100%	100%	100%	100%

All Degrees

	80-81	84-85	89-90	90-91	91-92	92-93	80-81	84-85	89-90	90-91	91-92	92-93
							Percent (%)					
CSU	51,544	53,479	57,979	60,617	64,923	68,136	43.0%	42.6%	41.6%	42.2%	43.0%	43.8%
ICU	39,229	40,731	44,677	45,150	45,560	45,470	32.7%	32.5%	32.1%	31.5%	30.2%	29.2%
UC	29,194	31,207	36,586	37,782	40,470	42,070	24.3%	24.9%	26.3%	26.3%	26.8%	27.0%
TOTAL	119,967	125,417	139,241	143,549	150,953	155,676	100%	100%	100%	100%	100%	100%

Net Revenue Ratio of Independent Institutions

AICCU Analysis, FY 1980, 1985, 1990-93

GROUP	1980	1985	1990	1991	1992	1993
ALL 70 MEMBERS	**3.0%**	**3.0%**	**0.1%**	**0.9%**	**2.4%**	**2.6%**
I - Doctoral Research Universities	2 2%	2 5%	0.2%	1.1%	2.1%	1 5%
IIA - Universities with 2500 to 7000 FTE	5.8%	3.6%	0.9%	1.1%	4.7%	4 1%
IIB - Colleges and Universities with 1000 to 5000 FTE	2.9%	1.6%	-0 5%	-3.3%	0.7%	0 7%
III - Liberal Arts Colleges with high level of endowment	8 6%	11.4%	1 2%	1.8%	1 9%	1.9%
IVA - Liberal Arts Colleges & Universities with 1000 FTE	4.4%	-0 4%	-7.0%	3.7%	0.8%	2.8%
IVB - Small Liberal Arts Colleges/Universities with 300 to 1000 FTE	-0 5%	-0.5%	1.9%	-1 5%	2 4%	0 7%
V - Specialized Institutions	0 0%	3.4%	-0.8%	-4 4%	2.9%	3 8%
VI - Professional Schools	3 6%	0.3%	2.5%	3 5%	4.7%	4 8%

Analysis from Prior CPEC Reports, FY 1977-87

GROUP	1977	1979	1983	1984	84-85	85-86	86-87
Total Independent Institutions					**2.6%**	**3.3%**	**0.7%**
One - Doctoral Research Universities	0.2%	0 6%	0 0%	5 8%	2.2%	3.0%	0.4%
Two - Comprehensive Universities I (with FTE above 3,500)	2.4%	2 7%	3 3%	3.6%	3.7%	2.5%	1 3%
Three - Comprehensive Colleges & Universities II (with FTE below 3,500)	6 2%	0 8%	0 7%	3.6%	1.7%	1.0%	2.6%
Four - Liberal Arts Colleges I (with substantial endowments)	1.4%	3 5%	9.4%	5.5%	7.7%	12.7%	1 1%
Five - Liberal Arts Colleges II (with FTE between 800 and 2,000)	3.1%	0 9%	0.7%	1.6%	-1 7%	0.6%	1.2%
Six - Liberal Arts Colleges III (with FTE below 800)	-1.7%	1 2%	3 7%	3 0%	-0.9%	-0 4%	0.2%
Seven - Specialized Institutions	8 3%	11 2%	3 5%	0 1%	5.7%	3 9%	-1 5%

Tuition and Fees Contribution Ratio of Independent Institutions

AICCU Analysis, FY 1980, 1985, 1990-93

GROUP	1980	1985	1990	1991	1992	1993
ALL 70 MEMBERS	**47.3%**	**51.0%**	**47.4%**	**50.5%**	**51.6%**	**51.9%**
I - Doctoral Research Universities	28.7%	32.9%	30.1%	31.9%	31.8%	31.8%
IIA - Universities with 2500 to 7000 FTE	80.7%	79.0%	72.9%	77.3%	78.9%	80.7%
IIB - Colleges and Universities with 1000 to 5000 FTE	73.7%	79.8%	78.8%	76.8%	80.2%	76.9%
III - Liberal Arts Colleges with high level of endowment	57.9%	59.7%	59.3%	60.3%	61.6%	62.9%
IVA - Liberal Arts Colleges & Universities with 1000 FTE	86.3%	74.6%	67.7%	70.5%	75.0%	78.7%
IVB - Small Liberal Arts Colleges/Universities with 300 to 1000 FTE	53.6%	52.6%	59.4%	58.2%	61.5%	63.1%
V - Specialized Institutions	75.1%	79.2%	77.7%	67.4%	80.3%	78.8%
VI - Professional Schools	83.9%	82.7%	78.4%	82.3%	79.3%	82.7%

Analysis from Prior CPEC Reports, FY 1977-87

GROUP	1977	1979	1983	1984	84-85	85-86	86-87
Total Independent Institutions					**59.9%**	**59.8%**	**58.3%**
One - Doctoral Research Universities	38.9%	38.1%	40.7%	40.8%	45.6%	45.4%	43.2%
Two - Comprehensive Universities I (with FTE above 3,500)	85.2%	85.5%	85.3%	83.8%	79.3%	78.0%	78.2%
Three - Comprehensive Colleges & Universities II (with FTE below 3,500)	78.2%	78.4%	79.5%	80.1%	79.7%	79.3%	78.6%
Four - Liberal Arts Colleges I (with subetantial endowments)	60.4%	59.7%	60.8%	62.0%	61.6%	60.7%	59.2%
Five - Liberal Arts Colleges II (with FTE between 800 and 2,000)	80.7%	76.1%	74.2%	74.6%	73.4%	75.6%	78.3%
Six - Liberal Arts Colleges III (with FTE below 800)	45.7%	61.9%	59.2%	57.1%	64.3%	64.1%	63.4%
Seven - Specialized Institutions	62.0%	73.0%	65.6%	66.7%	63.5%	66.6%	66.5%

Gifts and Grants Ratio of Independent Institutions

AICCU Analysis, FY 1980, 1985, 1990-93

GROUP	1980	1985	1990	1991	1992	1993
ALL 70 MEMBERS	11.4%	12.1%	12.8%	11.3%	11.0%	10.3%
I - Doctoral Research Universities	11 4%	13.1%	14 3%	13.1%	13.3%	12.1%
IIA - Universities with 2500 to 7000 FTE	10.4%	5 4%	10.8%	7.9%	6.2%	7 2%
IIB - Colleges and Universities with 1000 to 5000 FTE	14.3%	10.0%	5.9%	5.6%	6.2%	6.4%
III - Liberal Arts Colleges with high level of endowment	22.6%	27.1%	15.8%	14.6%	12.7%	11.7%
IVA - Liberal Arts Colleges & Universities with 1000 FTE	11.7%	10 8%	9 1%	9.2%	10.8%	8 4%
IVB - Small Liberal Arts Colleges/Universities with 300 to 1000 FTE	25.9%	19.1%	21 2%	18.1%	18.1%	14.1%
V - Specialized Institutions	9.1%	8.4%	7.5%	9.5%	8.3%	6 8%
VI - Professional Schools	2.5%	2.6%	4.5%	3.7%	1.6%	2 8%

Analysis from Prior CPEC Reports, FY 1977-87

GROUP	1977	1979	1983	1984	84-85	85-86	86-87
Total Independent Institutions					14.9%	17.0%	14.4%
One - Doctoral Research Universities	21.6%	22 9%	25.2%	33.5%	19.5%	21 5%	18 4%
Two - Comprehensive Universities I (with FTE above 3,500)	7.3%	7 6%	7.4%	8.0%	5.7%	6.1%	6.8%
Three - Comprehensive Colleges & Universities II (with FTE below 3,500)	18 9%	11 8%	9.7%	13.1%	7 1%	7.4%	7.8%
Four - Liberal Arts Colleges I (with substantial endowments)	29 2%	31.1%	41.4%	33.0%	21.9%	31.6%	17 2%
Five - Liberal Arts Colleges II (with FTE between 800 and 2,000)	15 0%	13.3%	14.4%	14.2%	11 8%	13 7%	10 8%
Six - Liberal Arts Colleges III (with FTE below 800)	22.1%	27 1%	24 4%	25.9%	18 1%	18.9%	20.4%
Specialized Institutions	26.6%	7 7%	15.2%	9 3%	8 5%	19.8%	14 9%

Instructional Costs Ratio of Independent Institutions

AICCU Analysis, FY 1980, 1985, 1990-93

GROUP	1980	1985	1990	1991	1992	1993
ALL 70 MEMBERS	36.5%	35 3%	30.8%	32.2%	32.8%	32.2%
I - Doctoral Research Universities	34 1%	34.1%	29.9%	30.8%	30 9%	29 9%
IIA - Universities with 2500 to 7000 FTE	39 9%	38.8%	32 1%	36.2%	37 2%	37 4%
IIB - Colleges and Universities with 1000 to 5000 FTE	46.8%	43.0%	36.2%	35.5%	36.6%	35.6%
III - Liberal Arts Colleges with high level of endowment	37.2%	32 6%	29.5%	29.9%	30.1%	30.7%
IVA - Liberal Arts Colleges & Universities with 1000 FTE	38.6%	31 7%	30.7%	31.0%	32.5%	32.7%
IVB - Small Liberal Arts Colleges/Universities with 300 to 1000 FTE	28 6%	23.7%	25.3%	26.0%	24 5%	24.4%
V - Specialized Institutions	39.0%	36 8%	34.7%	34.0%	36 5%	35.9%
VI - Professional Schools	40.2%	36.4%	33.9%	33.9%	42.9%	36.0%

Analysis from Prior CPEC Reports, FY 1977-87

GROUP	1977	1979	1983	1984	84-85	85-86	86-87
Total Independent Institutions					43.3%	42.4%	40.1%
One - Doctoral Research Universities	37.4%	36 8%	39.2%	38.5%	49.3%	48 5%	44.8%
Two - Comprehensive Universities I (with FTE above 3,500)	41.1%	40 2%	37.8%	37.6%	39.0%	37.4%	36.8%
Three - Comprehensive Colleges & Universities II (with FTE below 3,500)	46.1%	49 2%	46.9%	45.4%	43 8%	43 8%	41.9%
Four - Liberal Arts Colleges I (with substantial endowments)	37 0%	35.4%	34.2%	33.6%	32.9%	32.4%	30 1%
Five - Liberal Arts Colleges II (with FTE between 800 and 2,000)	38.9%	36.3%	33.9%	32.5%	32.2%	31 1%	31.5%
Six - Liberal Arts Colleges III (with FTE below 800)	34 5%	35.1%	28.5%	29 9%	30.3%	30 6%	29 7%
Seven - Specialized Institutions	45.4%	41 3%	40.5%	34.2%	38 2%	40.8%	38.8%

Cal Grant A and B Revenues (in thousand dollars)

AICCU Analysis, 1990-91 to 1993-94

GROUP	90-91	91-92	92-93	93-94	Percent Change 90-91 to 91-92	91-92 to 92-93	92-93 to 93-94	90-91 to 93-94
ALL 70 MEMBERS	66,710	61,314	56,073	68,491	-8.1%	-8.5%	22.1%	2.7%
I - Doctoral Research Universities	15,397	14,016	11,779	14,657	-9.0%	-16.0%	24.4%	-4 8%
IIA - Universities with 2500 to 7000 FTE	17,290	15,674	15,321	18,270	-9.3%	-2.3%	19.2%	5 7%
IIB - Colleges and Universities with 1000 to 5000 FTE	9,560	8,459	8,472	10,463	-11 5%	0.2%	23.5%	9 4%
III - Liberal Arts Colleges with high level of endowment	9,437	9,247	8,447	10,402	-2.0%	-8.7%	23 1%	10.2%
IVA - Liberal Arts Colleges & Universities with 1000 FTE	7,776	7,383	5,840	7,282	-5.1%	-20.9%	24.7%	-6.4%
IVB - Small Liberal Arts Colleges/Universities with 300 to 1000 FTE	3,825	3,757	3,395	4,284	-1.8%	-9 6%	26.2%	12.0%
V - Specialized Institutions	3,313	2,775	2,819	3,133	-16.2%	1.6%	11.1%	-5.4%

Analysis from Prior CPEC Reports, 1984-85 to 1986-87

GROUP	84-85	85-86	86-87	Percent Change 84-85 to 85-86	85-86 to 86-87	84-85 to 86-87
Total Independent Institutions	48,183	54,848	58,488	13 8%	6.6%	21.4%
One - Doctoral Research Universities	13,760	14,987	15,520	8 9%	3 6%	12 8%
Two - Comprehensive Universities I (with FTE above 3,500)	13,717	15,304	16,884	11.6%	10.3%	23.1%
Three - Comprehensive Colleges & Universities (with FTE below 3,500)	5,429	6,520	6,839	20.1%	4 9%	26.0%
Four - Liberal Arts Colleges I (with substantial endowments)	6,969	7,934	8,175	13.8%	3 0%	17.3%
Five - Liberal Arts Colleges II (with FTE between 800 and 2,000)	4,893	5,719	6,105	16 9%	6.7%	24 8%
Six - Liberal Arts Colleges III (with FTE below 800)	2,772	3,419	3,937	23 3%	15 2%	42.0%
Seven - Specialized Institutions	697	965	983	38.5%	1.9%	41.0%

Institutional Financial Aid (in thousand dollars)

AICCU Analysis, 1990-91 to 1993-1994

GROUP	90-91	91-92	92-93	93-94	Percent Change 90-91 to 91-92	91-92 to 92-93	92-93 to 93-94	90-91 to 93-94
ALL 70 MEMBERS	233,083	282,277	318,846	366,638	21.1%	13.0%	15.0%	57.3%
I - Doctoral Research Universities	107,285	123,221	140,700	157,258	14.9%	14 2%	11.8%	46 6%
IIA - Universities with 2500 to 7000 FTE	43,029	63,455	76,663	91,390	47.5%	20 8%	19.2%	112.4 %
IIB - Colleges and Universities with 1000 to 5000 FTE	19,003	22,253	28,808	33,862	17 1%	29.5%	17.5%	78.2%
III - Liberal Arts Colleges with high level of endowment	32,626	36,892	42,314	52,742	13 1%	14.7%	24.6%	61 7%
IVA - Liberal Arts Colleges & Universities with 1000 FTE	19,135	20,186	17,349	15,535	5 5%	-14.1%	-10.5%	-18 8%
IVB - Small Liberal Arts Colleges/Universities with 300 to 1000 FTE	6,205	6,901	6,676	7,935	11.2%	-3.3%	18 9%	27.9%
V - Specialized Institutions	5,479	6,978	5,833	7,626	27.4%	-16 4%	30.7%	39 2%

Analysis from Prior CPEC Reports, 1984-85 to 1986-87

GROUP	84-85	85-86	86-87	Percent Change 84-85 to 85-86	85-86 to 86-87	84-85 to 86-87
Total Independent Institutions	156,896	180,035	199,362	14.7%	10.7%	27.1%
One - Doctoral Research Universities	79,082	89,599	97,993	13.3%	9.4%	23.9%
Two - Comprehensive Universities I (with FTE above 3,500)	35,657	41,436	45,990	16.2%	11.0%	29.0%
Three - Comprehensive Colleges & Universities II with FTE below 3,500	8,633	9,612	11,152	11.3%	16.0%	29.2%
Four - Liberal Arts Colleges I (with substantial endowments)	19,019	23,445	27,241	23.3%	16.2%	43.2%
Five - Liberal Arts Colleges II (with FTE between 800 and 2,000)	6,774	7,893	8,188	16 5%	3.7%	20.9%
Six - Liberal Arts Colleges III (with FTE below 800)	6,265	7,117	7,833	13 6%	10 1%	25 0%
Seven - Specialized Institutions	746	933	1,025	25.1%	9 9%	37 4%

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